



FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS
February 28, 2018

**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, 2018, 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, 2018, 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.

Changes in Accounting Principles

As described in Note 2 to the financial statements, "Changes in Accounting Principles", the Village has adopted the provisions of GASB Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as of February 28, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of funding progress – other postemployment benefits, schedule of the Village's proportionate share of the net pension liability, schedule of Village pension contributions, and schedule of changes in the Village's service award program liability on pages 3 through 13 and 47 through 51, 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 September 8, 2018, 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 the effectiveness of the Incorporated Village of Lindenhurst's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Incorporated Village of Lindenhurst's internal control over financial reporting and compliance.

Cullen & Danowski, LLP
September 8, 2018

INCORPORATED VILLAGE OF LINDENHURST MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2018, in comparison with the year ended February 28, 2017, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

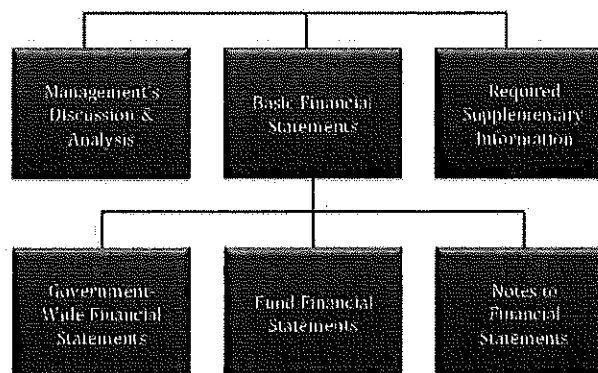
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2018 are as follows:

- The Village's total net position, as reflected in the government-wide financial statements, decreased by \$500,317. This was due to an excess of expenses over revenues based on the economic resources measurement focus and the accrual basis of accounting.
- The Village's expenses for the year, as reflected in the government-wide financial statements, totaled \$14,789,643. General revenues of \$10,049,446 and program revenues of \$4,239,880 amount to 70.3% and 29.7% of total revenues, respectively.
- The general fund's total fund balance, as reflected in the fund financial statements, increased by \$474,509. This was due to an excess of revenues over expenditures based on the current financial resources measurement focus and the modified accrual basis of accounting. The resulting total fund balance at February 28, 2018 was \$9,186,526.
- The Village redeemed \$683,000 in BANs from general fund appropriations in the current year.
- The Village implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ended February 28, 2018. The implementation of the statement requires, among other things, that the Village eliminate the presentation of the Lindenhurst Fire Department Service Award Program in the Agency Fund and present the assets in the General Fund. In addition, the statement requires that the Village record its total pension liability of the Lindenhurst Fire Department Service Award Program in the government-wide financial statements. Accounting changes adopted to conform to the provisions of the statements are to be applied retroactively and reported as a restatement of beginning net position.

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:



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

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.

These statements utilize the economic resources measurement focus and 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 current financial resources measurement focus and 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.

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

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.

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 economic resources measurement focus and 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 decreased by \$500,317 between fiscal year 2017, as restated and 2018. A summary of the Village's Statements of Net Position follows. The February 28, 2017 net position has been decreased by \$7,610,476 resulting from the implementation of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Additionally, the February 28, 2018 balances reflect service award program assets, deferred outflows of resources and service award program liabilities in accordance with the new GASB Statement.

	2018	As Restated 2017	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 12,471,845	\$ 10,706,114	\$ 1,765,731	16.49 %
Capital Assets, Net	28,574,310	28,419,365	154,945	0.55 %
Total Assets	41,046,155	39,125,479	1,920,676	4.91 %
Deferred Outflows of Resources	1,241,024	2,086,928	(845,904)	(40.53)%
Current and Other Liabilities	1,169,144	7,201,720	(6,032,576)	(83.77)%
Long-Term Liabilities	10,403,646	2,692,589	7,711,057	286.38 %
Net Other Post-employment Benefits Obligation	3,238,979	2,940,632	298,347	10.15 %
Net Pension Liability - Proportionate Share	998,440	1,764,197	(765,757)	(43.41)%
Service award program liability	12,399,102	12,333,432	65,670	0.53 %
Total Liabilities	28,209,311	26,932,570	1,276,741	4.74 %
Deferred Inflows of Resources	507,464	209,116	298,348	142.67 %
Net Investment in Capital Assets	20,173,247	19,513,982	659,265	3.38 %
Restricted	4,919,715	4,644,688	275,027	5.92 %
Unrestricted	(11,522,558)	(10,087,949)	(1,434,609)	(14.22)%
Total Net Position	\$ 13,570,404	\$ 14,070,721	\$ (500,317)	(3.56)%

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

Current and other assets increased by \$1,765,731, as compared to the prior year. This increase is primarily reflected in a \$1,753,822 cash increase and a \$285,686 increase in service award program assets, offset by a decrease of \$258,289 in due from state and federal.

Capital assets, net increased by \$154,945, as compared to the prior year. This increase is due to capital asset additions in excess of depreciation expense.

Deferred outflows of resources represents contributions to the retirement plan and service award program subsequent to the measurement date.

Current and other liabilities decreased by \$6,032,576, as compared to the prior year. The balance of bond anticipation notes decreased from the prior year by \$6,230,000 (\$350,000 and \$6,580,000 in 2018 and 2017 respectively). The Village redeemed \$683,000 of bond anticipation notes payable from general fund appropriations, while converting the remaining notes to long-term financing in the form of bonds payable. Additionally, the decrease in bond anticipation notes payable was offset by an increase in accrued liabilities of \$99,257 and unearned credits of \$84,131.

Long-term liabilities increased by \$7,711,057. This increase is primarily the result of the issuance of serial bonds in the amount of \$7,797,000 and entering into capital leases in the amount of \$673,845, offset by the scheduled repayment of the current maturity of the long-term liabilities, principally serial bonds.

Net other postemployment benefits (OPEB) obligation increased by \$298,347 as compared to the prior year. This increase is the result of the current year OPEB costs on using the economic resources measurement focus and the accrual basis of accounting in excess of the amount reflected in the governmental funds using the current financial resources measurement focus and the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 13 "Postemployment Healthcare Benefits" provides additional information.

Net pension liability – proportionate share decreased by \$765,757 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.

Service award program liability increased by \$65,670 as compared to the prior year. This liability represents the Village's liability for the Length of Service Award Program associated with the Lindenhurst Fire Department 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 decreased from the prior year as follows:

	Increase (Decrease)
Capital assets additions - total	\$ 2,290,394
Additions financed by debt	<u>(379,199)</u>
Additions financed by appropriations	1,911,195
Principal reduction of construction debt	770,935
Depreciation expense	<u>(2,022,865)</u>
	<u>\$ 659,265</u>

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

The restricted amount of \$4,919,715 relates to the Village's reserve and restricted balances. The increase of \$275,027 represents the excess of revenues over expenses in amounts restricted for service award program of \$285,686 and a transfer in to the employee benefit accrued liability reserve of \$32,000, offset by the excess of expenses over revenues in amounts restricted for community enhancement programs in the amount of \$42,659.

The unrestricted deficit amount of \$(9,797,776) 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, 2018 and February 28, 2017 is as follows:

	2018	2017	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 3,465,896	\$ 3,399,103	\$ 66,793	1.97 %
Operating Grants	35,963	4,268	31,695	742.62 %
Capital Grants	738,021	1,353,812	(615,791)	(45.49)%
General Revenues				
Real Property Taxes	7,440,861	7,226,279	214,582	2.97 %
State Sources	908,100	874,244	33,856	3.87 %
Other	1,700,485	1,593,103	107,382	6.74 %
Total Revenues	<u>14,289,326</u>	<u>14,450,809</u>	<u>(161,483)</u>	<u>(1.12)%</u>
Expenses				
General Government Support	2,947,194	2,745,134	202,060	7.36 %
Public Safety	3,009,672	2,813,014	196,658	6.99 %
Health	1,300	3,900	(2,600)	(66.67)%
Transportation	4,990,739	4,444,040	546,699	12.30 %
Economic Opportunity & Development	11,564		11,564	N/A
Culture & Recreation	1,779,730	1,729,390	50,340	2.91 %
Home & Community Services	1,840,434	1,648,435	191,999	11.65 %
Debt Service - Interest	209,010	145,945	63,065	43.21 %
Total Expenses	<u>14,789,643</u>	<u>13,529,858</u>	<u>1,259,785</u>	<u>9.31 %</u>
Increase (Decrease) in Net Position	<u>\$ (500,317)</u>	<u>\$ 920,951</u>	<u>\$ (1,421,268)</u>	<u>(154.33)%</u>

The Village's net position decreased by \$500,317 and increased by \$920,951 for the years ended February 28, 2018 and February 28, 2017, respectively.

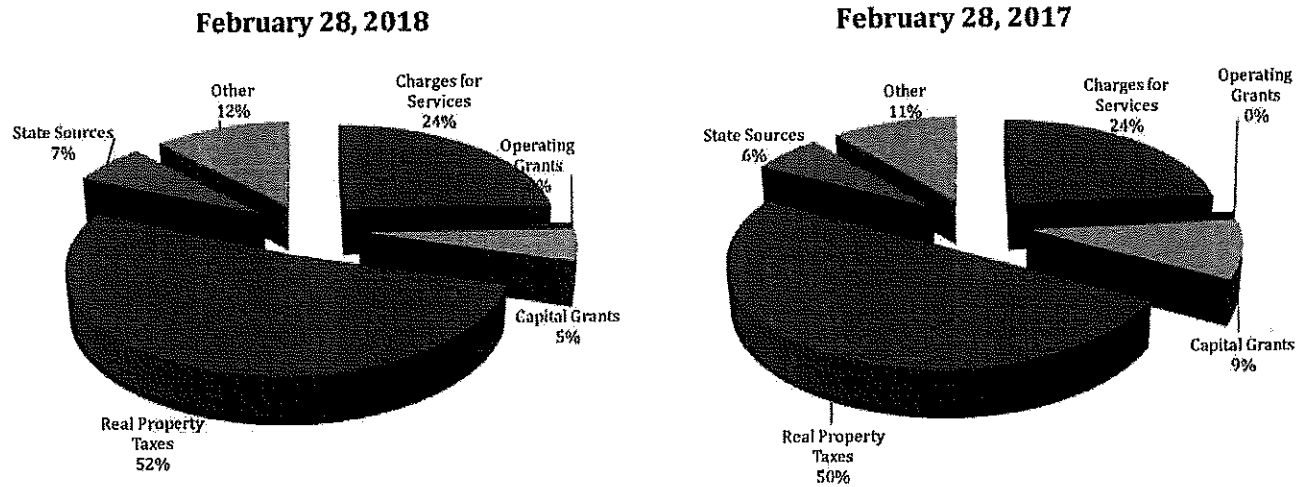
As indicated on the pie charts that follow, real property taxes is the largest component of revenues recognized (i.e., 52% and 50% of the total revenues for the years 2018 and 2017, respectively). Transportation is the largest component of expenses incurred (i.e., 34% and 33% for the years 2018 and 2017, respectively).

Revenues decreased \$161,483 from the prior year. This was due to a decrease in capital grants of \$615,791, as transportation projects were nearing completion. This was offset by increases in real property taxes of \$214,582, other revenues of \$107,382, charges for services of \$66,793, state sources of \$33,856, and operating grants of \$31,695.

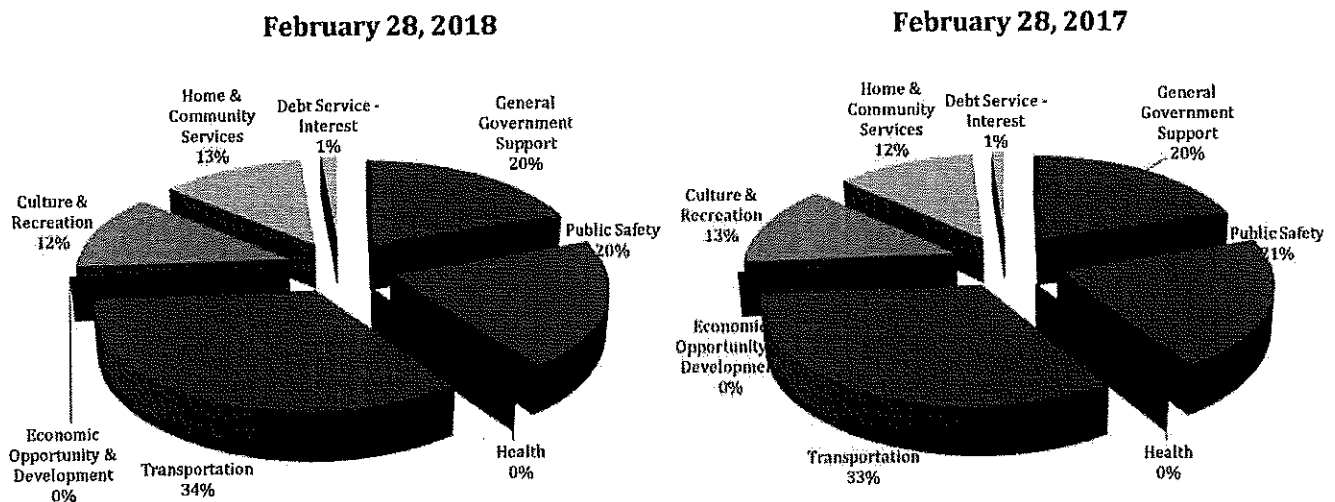
**INCORPORATED VILLAGE OF LINDENHURST
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

Expenses increased \$1,259,785 over the prior year. Salary and benefits account for nearly 60% of the increase. The main increases were \$546,699 in transportation, \$202,060 in general government support, \$196,658 in public safety, and \$191,999 in home & community services.

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, 2018, the Village's governmental funds reported a combined fund balance of \$11,190,452, which is an increase of \$7,891,672 over the prior year. This increase is mainly in the capital projects fund due to the issuance of long-term financing. The 2017 general fund balance restricted for service award program was restated to reflect related assets of \$4,288,702 in accordance with GASB Statement No. 73. A summary of the change in fund balance by fund is as follows:

	2018	As Restated 2017	Increase (Decrease)
General Fund			
Nonspendable: Prepaids	\$ 68,884	\$ 61,270	\$ 7,614
Restricted for:			
Employee benefit accrued liability	75,660	43,660	32,000
Service award program	4,574,388	4,288,702	285,686
Assigned: Appropriated fund balance	190,000	143,000	47,000
Assigned: Unappropriated			
Capital improvement	80,338	80,338	-
Technology	12,893	12,893	-
Community development	306,404	318,904	(12,500)
Neighborhood	81,175	81,175	-
Storm recovery	50,000		50,000
DPW sanitation equipment	259	92,755	(92,496)
Fire department	28,625	3,625	25,000
Encumbrances		84,294	(84,294)
Unassigned fund balance	3,717,900	3,501,401	216,499
	<u>9,186,526</u>	<u>8,712,017</u>	<u>474,509</u>
Special Revenue Fund			
Nonspendable: Prepaids	\$ 7,528	\$	\$ 7,528
Restricted for special projects	269,667	312,326	(42,659)
	<u>277,195</u>	<u>312,326</u>	<u>(35,131)</u>
Capital Projects Fund			
Restricted: Unspent bond proceeds	2,006,848	542,956	1,463,892
Unassigned fund balance	(280,117)	(6,268,519)	5,988,402
	<u>1,726,731</u>	<u>(5,725,563)</u>	<u>7,452,294</u>
Total Fund Balance	<u>\$ 11,190,452</u>	<u>\$ 3,298,780</u>	<u>\$ 7,891,672</u>

A. General Fund

The net change in the general fund – fund balance is an increase of \$474,509. This was due to an excess of revenues over expenditures.

B. Special Revenue Fund

The net change in the special revenue fund – fund balance is a decrease of \$35,131, which was a result of expenditures in excess of revenues.

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

C. Capital Projects Fund

The net change in the capital projects fund – fund balance is an increase of \$7,452,294, which was a result of revenues and other financing sources in excess of expenditures due to the Village's issuance of \$7,797,000 in bonds and \$683,000 in BAN's redeemed by general fund appropriations.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2017 -2018 Budget

The Village's general fund original budget for the year ended February 28, 2018, was \$13,115,205. This was increased by prior year encumbrances of \$84,294 and budget revisions totaling \$273,400 for a final budget of \$13,472,899.

The budget was funded through estimated revenues and appropriated fund balance. The majority of this funding source was in estimated property taxes and departmental income.

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, appropriations to fund the subsequent year's budget, 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	\$ 3,501,401
Fund Balance Appropriated for Budget Revision	(37,000)
Revenues Over Budget	404,077
Expenditures and Encumbrances Under Budget	558,226
Increase in Nonspendable Fund Balance	(7,614)
Net Increase to Service Award Program Assets	(285,686)
Net Transfers to Assigned and Restricted Fund Balances	(225,504)
Appropriated to Fund the 2018-19 Budget	<u>(190,000)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 3,717,900</u></u>

Opening, Unassigned Fund Balance

The \$3,501,401 shown in the table is the portion of the Village's February 28, 2017 fund balance that was retained as unassigned fund balance. This was 26.70% of the Village's 2017-2018 approved original budget of \$13,115,205.

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

Fund Balance Appropriated for Budget Revision

The Village authorized the use of \$37,000 from the prior year's unassigned fund balance to fund an increase in the appropriation for highway expenditures.

Revenues Over Budget

The 2017-2018 revised budget for revenues was \$12,985,105. Actual revenues received for the year were \$13,389,182. The actual revenues exceeded the estimated or budgeted revenue by \$404,077. This variance contributes directly to the change to the unassigned portion of the general fund - fund balance from February 28, 2017 to February 28, 2018.

Expenditures and Encumbrances Under Budget

The 2017-2018 final budget for expenditures including prior year encumbrances of \$84,294 and budget revisions of \$273,400 as of February 28, 2018, was \$13,472,899. Actual expenditures as of February 28, 2018, were \$12,914,673. The final budget was under expended by \$558,226. This under expenditure contributes to the change to the unassigned portion of the general fund - fund balance from February 28, 2017 to February 28, 2018.

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 Increase to Service Award Program Fund Balance

Service award program fund balance increase reflects the excess of service award program revenues in excess of expenditures.

Net Transfers to Assigned and Restricted Fund Balances

During the 2017-2018 fiscal year, the Village increased assigned and restricted fund balances by \$225,504 for the following: \$25,000 for public safety, \$75,504 for sanitation, \$50,000 for storm recovery and \$75,000 for employee benefits accrued liability.

Appropriated Fund Balance

The Village has chosen to use \$190,000 of its available February 28, 2018 fund balance to partially fund the 2019 approved operating budget. As such, the unassigned portion of the February 28, 2018 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 2018-19 fiscal year with an unassigned fund balance of \$3,717,900, which is 27.60% of the Village's 2018-19 approved original budget of \$13,488,025. This is an increase of \$216,499 over the unassigned balance as of February 28, 2017.

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

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets

At February 28, 2018, 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 \$2,234,102 in excess of depreciation of \$2,022,865 and a loss on disposal of assets of \$56,292 recorded for the year ended February 28, 2018. A summary of the Village's capital assets, net of depreciation at February 28, 2018 and February 28, 2017 is as follows:

	2018	2017	Increase (Decrease)
Land	\$ 2,035,674	\$ 1,398,464	\$ 637,210
Construction work in progress	141,873	197,873	(56,000)
Buildings	5,619,373	5,833,381	(214,008)
Building improvements	319,127	260,838	58,289
Machinery and equipment	741,458	571,025	170,433
Infrastructure	15,664,109	16,386,821	(722,712)
Improvements other than buildings	2,438,911	2,702,743	(263,832)
Vehicles	1,613,785	1,068,220	545,565
Capital assets, net	<u>\$ 28,574,310</u>	<u>\$ 28,419,365</u>	<u>\$ 154,945</u>

B. Debt Administration

At February 28, 2018, the Village had total bonded debt outstanding of \$9,452,000. This debt is backed by the full faith and credit of the Village. The net increase of outstanding debt represents the issuance of a \$7,797,000 bond offset by current year principal payments of \$750,000. A summary of the outstanding debt at February 28, 2018 and February 28, 2017 is as follows:

Issue Date	Interest Rate	2018	2017	Increase (Decrease)
12/1/2006	3.625%	\$ 630,000	\$ 770,000	\$ (140,000)
1/15/2009	2.000%	850,000	1,045,000	(195,000)
12/5/2012	2.000%	175,000	590,000	(415,000)
8/10/2017	2.00-3.15%	7,797,000		7,797,000
		<u>\$ 9,452,000</u>	<u>\$ 2,405,000</u>	<u>\$ 7,047,000</u>

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Board of Trustees approved a \$13,488,025 general fund budget for the year ending February 28, 2019. This is an increase of \$372,820 or 2.84% over the previous year's budget. The increase is principally in employee benefits (\$183,685), transportation (\$148,170), public safety (\$133,530), and general government support (\$108,785) offset by a decrease in debt service payments of \$286,815.

The Village budgeted non-property tax revenues at a \$115,467 increase over the prior year's estimate. Additionally, the Village appropriated \$190,000 in fund balance to partially fund the budget. A property tax increase of 2.25% (tax levy to tax levy) was needed to cover the increase in projected expenditures.

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

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, 2018

ASSETS

Cash	
Unrestricted	\$ 4,263,589
Restricted	2,446,546
Receivables	
Accounts receivable	418,899
Taxes receivable	229,087
Due from state and federal	462,924
Prepays	76,412
Service award program	4,574,388
Capital assets not being depreciated	2,177,547
Capital assets being depreciated, net of accumulated depreciation	<u>26,396,763</u>
Total Assets	<u>41,046,155</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	714,311
Service award program	<u>526,713</u>
Total Deferred Outflows of Resources	<u>1,241,024</u>

LIABILITIES

Payables	
Accounts payable	338,145
Accrued liabilities	235,905
Notes payable	
Bond anticipation notes	350,000
Unearned credits	
Collections in advance	245,094
Long-term liabilities	
Due and payable within one year	
Bonds payable	742,000
Capital lease payable	125,773
Due and payable after one year	
Bonds payable	8,710,000
Capital lease payable	548,072
Compensated absences payable	277,801
Net other postemployment benefits obligation	3,238,979
Net pension liability - proportionate share	998,440
Service award program	<u>12,399,102</u>
Total Liabilities	<u>28,209,311</u>

DEFERRED INFLOWS OF RESOURCES

Pensions	163,526
Service award program	<u>343,938</u>
Total Deferred Inflows of Resources	<u>507,464</u>

NET POSITION

Net investment in capital assets	<u>20,173,247</u>
Restricted	
Employee benefit accrued liability	75,660
Service award program	4,574,388
Special projects	<u>269,667</u>
	<u>4,919,715</u>
Unrestricted (Deficit)	<u>(11,522,558)</u>
Total Net Position	<u><u>\$ 13,570,404</u></u>

INCORPORATED VILLAGE OF LINDENHURST
Statement of Activities
For The Year Ended February 28, 2018

		Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants	Capital Grants	Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS					
General government support	\$ 2,947,194	\$ 412,929	\$	\$	\$ (2,534,265)
Public safety	3,009,672	308,510			(2,701,162)
Health	1,300				(1,300)
Transportation	4,990,739	156,290		650,847	(4,183,602)
Economic opportunity and development	11,564				(11,564)
Culture and recreation	1,779,730	156,463	4,343		(1,618,924)
Home and community services	1,840,434	2,431,704	31,620	87,174	710,064
Debt service - interest	209,010				(209,010)
Total Functions and Programs	\$ 14,789,643	\$ 3,465,896	\$ 35,963	\$ 738,021	(10,549,763)
GENERAL REVENUES					
Real property taxes					7,440,861
Other tax items					81,257
Non-property tax items					909,269
Use of money and property					228,026
Fines and forfeitures					229,757
Sale of property and compensation for loss					112,630
Miscellaneous					139,546
State sources					908,100
Total General Revenues					10,049,446
Change in Net Position					(500,317)
Total Net Position - Beginning of year, as restated					14,070,721
Total Net Position - End of year					\$ 13,570,404

INCORPORATED VILLAGE OF LINDENHURST
Balance Sheet - Governmental Funds
February 28, 2018

	General	Special Revenue	Special Grant	Capital Projects	Total Governmental Funds
ASSETS					
Cash					
Unrestricted	\$ 4,144,342	\$	\$	\$ 119,247	\$ 4,263,589
Restricted	75,660	296,104		2,074,782	2,446,546
Receivables					
Accounts receivable	417,774	1,125			418,899
Taxes receivable	229,087				229,087
Due from other funds	388,254				388,254
Due from state and federal				462,924	462,924
Prepays	68,884	7,528			76,412
Service award program	4,574,388				4,574,388
Total Assets	<u>\$ 9,898,389</u>	<u>\$ 304,757</u>	<u>\$ -</u>	<u>\$ 2,656,953</u>	<u>\$ 12,860,099</u>
LIABILITIES					
Payables					
Accounts payable	\$ 214,928	\$ 27,562	\$	\$ 95,655	\$ 338,145
Accrued liabilities	119,067				119,067
Due to other funds				388,254	388,254
Notes payable					
Bond anticipation note				350,000	350,000
Unearned credits					
Collections in advance	148,781			96,313	245,094
Total Liabilities	<u>482,776</u>	<u>27,562</u>	<u>-</u>	<u>930,222</u>	<u>1,440,560</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	<u>229,087</u>				<u>229,087</u>
FUND BALANCES					
Nonspendable: Prepays	68,884	7,528			76,412
Restricted for:					
Employee benefit accrued liability	75,660				75,660
Service award program	4,574,388				4,574,388
Special projects		269,667			269,667
Unspent bond proceeds				2,006,848	2,006,848
Assigned					
Appropriated fund balance	190,000				190,000
Unappropriated:					
Capital improvement	80,338				80,338
Technology	12,893				12,893
Community development	306,404				306,404
Neighborhood	81,175				81,175
Storm recovery	50,000				50,000
DPW sanitation equipment	259				259
Fire department	28,625				28,625
Unassigned: Fund balance (deficit)	<u>3,717,900</u>			<u>(280,117)</u>	<u>3,437,783</u>
Total Fund Balances	<u>9,186,526</u>	<u>277,195</u>	<u>-</u>	<u>1,726,731</u>	<u>11,190,452</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,898,389</u>	<u>\$ 304,757</u>	<u>\$ -</u>	<u>\$ 2,656,953</u>	<u>\$ 12,860,099</u>

INCORPORATED VILLAGE OF LINDENHURST
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
February 28, 2018

Total Governmental Fund Balances \$ 11,190,452

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. 229,087

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	\$ 79,367,898	
Accumulated depreciation	<u>(50,793,588)</u>	28,574,310

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	714,311	
Net pension liability - employees' retirement system	(998,440)	
Deferred inflows of resources	<u>(163,526)</u>	(447,655)

Proportionate share of long-term liability and deferred outflows and inflows associated with participation in the service award program are not current financial resources or obligations and are not reported in the funds.

Deferred outflows of resources	526,713	
Service award program liability	(12,399,102)	
Deferred inflows of resources	<u>(343,938)</u>	(12,216,327)

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	(113,024)	
Accrued interest on BANs payable	(696)	
Accrued interest on capital lease payable	(3,118)	
Bonds payable	(9,452,000)	
Capital lease payable	(673,845)	
Compensated absences	(277,801)	
Net other postemployment benefits obligation	<u>(3,238,979)</u>	(13,759,463)

Total Net Position \$ 13,570,404

INCORPORATED VILLAGE OF LINDENHURST
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended February 28, 2018

	General	Special Revenue	Special Grant	Capital Projects	Total Governmental Funds
REVENUES					
Real property taxes	\$ 7,460,999	\$	\$	\$	\$ 7,460,999
Other tax items	81,257				81,257
Non-property tax items	909,269				909,269
Departmental income	2,611,630				2,611,630
Intergovernmental charges	271,402				271,402
Use of money and property	228,026				228,026
Licenses and permits	400,603				400,603
Fines and forfeitures	229,757				229,757
Sale of property and compensation for loss	112,630				112,630
Miscellaneous	139,546	182,261			321,807
State sources	912,443			594,368	1,506,811
Federal sources	31,620		61,360	82,293	175,273
Total Revenues	13,389,182	182,261	61,360	676,661	14,309,464
EXPENDITURES					
General government support	1,847,534			883,305	2,730,839
Public safety	2,172,821			54,172	2,226,993
Health	1,300				1,300
Transportation	2,404,160			727,568	3,131,728
Economic opportunity and development	435			11,129	11,564
Culture and recreation	759,139	217,392		5,026	981,557
Home and community services	850,212		61,360	697,012	1,608,584
Employee benefits	3,289,354				3,289,354
Debt service					
Principal	1,453,935				1,453,935
Interest	135,783				135,783
Total Expenditures	12,914,673	217,392	61,360	2,378,212	15,571,637
Excess (Deficiency) of Revenues Over Expenditures	474,509	(35,131)	-	(1,701,551)	(1,262,173)
OTHER FINANCING SOURCES AND USES					
Proceeds of debt -					
Serial bonds				7,797,000	7,797,000
BANs redeemed from appropriations				683,000	683,000
Capital leases				673,845	673,845
Total Other Financing Sources and Uses	-	-	-	9,153,845	9,153,845
Net Change in Fund Balance	474,509	(35,131)	-	7,452,294	7,891,672
Fund Balances (Deficit) -					
Beginning of year, as restated	8,712,017	312,326		(5,725,563)	3,298,780
Fund Balances - End of year	\$ 9,186,526	\$ 277,195	\$ -	\$ 1,726,731	\$ 11,190,452

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, 2018

Net Change in Fund Balance \$ 7,891,672

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

Long-Term Revenue and Expense Differences

Certain revenues are recognized in the governmental funds when they provide current financial resources. However these revenues were recognized in the Statement of Activities in prior years when they were earned.

Change in unavailable revenue	\$ (20,138)	
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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 compensated absences payable	(11,147)	
Increase in net other postemployment benefits obligation	(298,347)	
		(329,632)

Capital Related Differences

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 expense in the Statement of Activities. This is the amount by which capital outlays exceeds depreciation in the period.

Capital outlays	2,234,102	
Depreciation expense	(2,022,865)	
Loss on disposal of assets	(56,292)	
		154,945

Long-Term Debt Transactions Differences

Proceeds from the issuance of bonds and capital leases are other funding sources in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.

Proceeds from the issuance of bond principal	(7,797,000)	
Proceeds from the issuance of capital leases	(673,845)	

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.	(683,000)	
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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	750,000	
Repayment of capital lease payable	20,935	
Repayment of bond anticipation notes payable	683,000	

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 28, 2017 to February 28, 2018 increased by

	(73,227)	
		(7,773,137)

Pension Differences

The change in the proportionate share of the collective pension expense of the state retirement plan and service award program reported in the Statement of Activities did not affect current financial resources and, therefore, is not reported in the governmental funds.

Employees' retirement system	(127,016)	
Service award program	(317,149)	
		(444,165)

Change in Net Position of Governmental Activities		\$ (500,317)
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INCORPORATED VILLAGE OF LINDENHURST
Statement of Fiduciary Net Position -
Fiduciary Fund
February 28, 2018

	<u>Agency</u>
ASSETS	
Cash	<u>\$ 57,112</u>
Total Assets	<u><u>\$ 57,112</u></u>
 LIABILITIES	
Other liabilities	<u>\$ 57,112</u>
Total Liabilities	<u><u>\$ 57,112</u></u>

INCORPORATED VILLAGE OF LINDENHURST
NOTES TO FINANCIAL STATEMENTS

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)

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 emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. 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 at the time liabilities are 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)

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are 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. 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 15th and become a lien on March 1st. 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 1st, 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)

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 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 meet this criterion in the statement of net position – deferrals of pension expenses and contributions made to the pensions in the current fiscal year and benefit payments and administration costs paid 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 reporting period 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 the change in the service award program assets or liability not included in pension expense.

O. Employee Benefits – Compensated Absences

Compensated absences consist of unpaid accumulated sick leave. 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.

INCORPORATED VILLAGE OF LINDENHURST
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

INCORPORATED VILLAGE OF LINDENHURST
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 and the special revenue 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 Service Award Program

The Village established a defined benefit plan for the active volunteer firefighters in the Village of Lindenhurst. The plan provides municipally-funded pension-like benefits and the Village is the sponsor of the plan. In accordance with GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, the Village reports the value of the assets available for benefits as restricted 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)

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. CHANGES IN ACCOUNTING PRINCIPLES

The Village implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statements No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ended February 28, 2018. The implementation of the statement requires, among other things, that the Village eliminate the presentation of the Lindenhurst Fire Department Service Award Program in the Agency Fund and present the assets in the General Fund. In addition, the statement requires that the Village record its total pension liability of the Lindenhurst Fire Department Service Award Program in the government-wide financial statements. Accounting changes adopted to conform to the provisions of the statements are to be applied retroactively and reported as a restatement of beginning net position.

3. 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.

INCORPORATED VILLAGE OF LINDENHURST
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

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 current financial resources measurement focus and the modified accrual basis, whereas the economic measurement focus and 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 recognizing pension costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan, versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the Village's proportionate share of the collective pension expense of the plan.

INCORPORATED VILLAGE OF LINDENHURST
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. 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 15th. 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 1st.
- 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 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	\$ 43,000
Appropriations funded by assigned fund balance:	
Community development	12,500
DPW sanitation	168,000
Encumbrances from prior year	84,294
Insurance recovery	12,900
Prior years' surplus - highway expenditures	<u>37,000</u>
	<u>\$ 357,694</u>

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.

INCORPORATED VILLAGE OF LINDENHURST
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Over Expenditure of a Certain Appropriation

The general fund appropriation for public safety 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 \$(280,117). This will be funded when the Village obtains permanent financing for its current construction projects.

5. 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.

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, 2018 are \$1,105,673,643, which consisted of \$219,696,643 in repurchase agreements, \$112,061,950 in U.S. Treasury Securities, \$562,449,842 in U.S. Treasury bills, and \$211,465,208 in collateralized bank deposits, with various interest rates and due dates.

INCORPORATED VILLAGE OF LINDENHURST
NOTES TO FINANCIAL STATEMENTS
(Continued)

The following amounts are included as cash:

Fund	Carrying Amount
General	<u>\$ 70,853</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.

6. CAPITAL ASSETS

Capital asset balances and activity for the year ended February 28, 2018, were as follows:

	Balance 2/28/2017	Additions	Reductions	Balance 2/28/2018
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,398,464	\$ 637,210	\$	\$ 2,035,674
Construction work in progress	197,873		(56,000)	141,873
Total capital assets not being depreciated	<u>1,596,337</u>	<u>637,210</u>	<u>(56,000)</u>	<u>2,177,547</u>
Capital assets being depreciated				
Buildings	14,558,127			14,558,127
Building improvements	339,640	81,878		421,518
Machinery and equipment	1,549,782	289,323	(1,146)	1,837,959
Infrastructure	46,034,548	440,743		46,475,291
Improvements other than buildings	6,984,229	23,860		7,008,089
Vehicles	6,456,648	817,088	(384,369)	6,889,367
Total capital assets being depreciated	<u>75,922,974</u>	<u>1,652,892</u>	<u>(385,515)</u>	<u>77,190,351</u>
Less accumulated depreciation for:				
Buildings	8,724,746	214,008		8,938,754
Building improvements	78,802	23,589		102,391
Machinery and equipment	978,757	118,317	(573)	1,096,501
Infrastructure	29,647,727	1,163,455		30,811,182
Improvements other than buildings	4,281,486	287,692		4,569,178
Vehicles	5,388,428	215,804	(328,650)	5,275,582
Total accumulated depreciation	<u>49,099,946</u>	<u>2,022,865</u>	<u>(329,223)</u>	<u>50,793,588</u>
Capital assets, net	<u>\$ 28,419,365</u>	<u>\$ 267,237</u>	<u>\$ (112,292)</u>	<u>\$ 28,574,310</u>

INCORPORATED VILLAGE OF LINDENHURST
NOTES TO FINANCIAL STATEMENTS
(Continued)

Depreciation expense is charged to governmental functions as follows:

General government support	\$ 81,030
Public safety	334,086
Transportation	1,272,491
Culture and recreation	259,201
Home and community services	<u>76,057</u>
Total governmental activities depreciation expense	<u>\$ 2,022,865</u>

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, 2018, the Village has not recorded any such impairment losses.

7. INTERFUND TRANSACTIONS

Interfund balances at February 28, 2018, are as follows:

	Interfund	
	Receivable	Payable
General Fund	\$ 388,254	\$
Capital Projects Fund	<u></u>	<u>388,254</u>
Total	<u>\$ 388,254</u>	<u>\$ 388,254</u>

8. SHORT-TERM DEBT

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

	Maturity	Interest Rate	Balance 2/28/2017	Additions	Reductions	Balance 2/28/2018
BAN	8/11/17	0.87%	\$ 6,055,000	\$	\$ (6,055,000)	\$ -
BAN	1/18/18	1.46%	525,000		(525,000)	-
BAN	1/17/19	1.77%	<u></u>	<u>350,000</u>	<u></u>	<u>350,000</u>
			<u>\$ 6,580,000</u>	<u>\$ 350,000</u>	<u>\$ (6,580,000)</u>	<u>\$ 350,000</u>

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

Interest paid	\$ 63,149
Less interest accrued in the prior year	(30,157)
Plus interest accrued in the current year	<u>696</u>
Total interest expense on short-term debt	<u>\$ 33,688</u>

INCORPORATED VILLAGE OF LINDENHURST
NOTES TO FINANCIAL STATEMENTS
(Continued)

9. LONG-TERM LIABILITIES

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

	Balance 2/28/2017	Additions	Reductions	Balance 2/28/2018	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 2,405,000	\$ 7,797,000	\$ (750,000)	\$ 9,452,000	\$ 742,000
Capital lease payable	20,935	673,845	(20,935)	673,845	125,773
Other long-term liabilities					
Compensated absences	266,654	11,147		277,801	
	<u>\$ 2,692,589</u>	<u>\$ 8,481,992</u>	<u>\$ (770,935)</u>	<u>\$ 10,403,646</u>	<u>\$ 867,773</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.

Bonds Payable

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, 2018
Serial bond	12/1/2006	12/1/2021	3.625%	\$ 630,000
Serial bond	1/15/2009	1/15/2022	2.000%	850,000
Serial bond	12/5/2012	8/1/2019	2.000%	175,000
Serial bond	8/10/2017	8/10/2036	2.00-3.15%	7,797,000
				<u>\$ 9,452,000</u>

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

Year Ending February 28,	Principal	Interest	Total
2019	\$ 742,000	\$ 334,478	1,076,478
2020	865,000	222,480	1,087,480
2021	790,000	200,830	990,830
2022	750,000	179,643	929,643
2023	375,000	157,942	532,942
2024-2028	1,980,000	672,119	2,652,119
2029-2033	2,260,000	418,531	2,678,531
2034-2037	1,690,000	105,986	1,795,986
Total	<u>\$ 9,452,000</u>	<u>\$ 2,292,009</u>	<u>\$ 11,744,009</u>

INCORPORATED VILLAGE OF LINDENHURST
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capital Leases Payable

The Village has entered into lease purchase agreements as lessee for various highway and refuse equipment.

The lease purchase agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through the capital lease is as follows:

Asset	
Machinery and equipment	\$ 179,471
Vehicles	494,374
Less: accumulated depreciation	<u>(33,734)</u>
Total	<u>\$ 640,111</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of February 28, 2018, were as follows:

<u>Year Ending February 28,</u>	
2019	\$ 148,746
2020	148,746
2021	148,746
2022	148,746
2023	<u>148,745</u>
Total minimum lease payments	743,729
Less: amounts representing interest	<u>(69,884)</u>
Present value of minimum lease payments	<u>\$ 673,845</u>

Interest Expense

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

Interest paid	\$ 72,634
Less interest accrued in the prior year	(13,454)
Plus interest accrued in the current year	<u>116,142</u>
Total interest expense on long-term debt	<u>\$ 175,322</u>

10. 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. 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 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 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. 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 contribution rate was 15.13% of the covered payroll for the ERS fiscal year ended March 31, 2018.

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

<u>Year</u>	<u>Contribution</u>
2018	\$ 485,456
2017	490,691
2016	566,440

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

At February 28, 2018, 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, 2017. 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, 2017
Village's proportionate share of the net pension liability	\$ 998,440
Village's portion of the Plan's total net pension liability	0.0106260%
Change in proportion since the prior measurement date	(0.0003657)

For the year ended February 28, 2018, the Village recognized pension expense of \$617,707 for ERS. At February 28, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,020	\$ 151,619
Changes of assumptions	341,104	
Net difference between projected and actual earnings on pension plan investments	199,429	
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	148,758	11,907
Total	<u>\$ 714,311</u>	<u>\$ 163,526</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, 2019. 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 Ending February 28,</u>	
2019	\$ 234,762
2020	234,762
2021	204,099
2022	<u>(122,838)</u>
	<u>\$ 550,785</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:

	<u>ERS</u>
Measurement date	March 31, 2017
Actuarial valuation date	April 1, 2016
Inflation	2.50%
Salary increases	3.80%
Investment rate of return (net of investment expense, including inflation)	7.00%
Cost of living adjustments	1.30%

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, 2016 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 using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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, 2017
Asset type		
Domestic equity	36.0%	4.55%
International equity	14.0%	6.35%
Real estate	10.0%	5.80%
Alternative investments	18.0%	4.00-7.75%
Bonds and mortgages	17.0%	1.31%
Cash	1.0%	(0.25)%
Inflation indexed bonds	4.0%	1.50%
	<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 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)	\$ (3,188,818)	\$ (998,440)	\$ 853,521

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:

	<i>(Dollars In Thousands)</i>
Measurement date	March 31, 2017
Employers' total pension liability	\$ (177,400,586)
Plan fiduciary net position	168,004,363
Employers' total pension liability	\$ (9,396,223)
Ratio of plan fiduciary net position to the employers' total pension liability	94.70%

Payables to the Pension Plan

Employer contributions are paid annually based on the ERS' fiscal year, which ends on March 31st. Accrued retirement contributions as of February 28, 2018, represent the projected employer contribution for the period of April 1, 2017 through February 28, 2018 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)

11. LENGTH OF SERVICE AWARDS PROGRAM

A. General Information

The Village's financial statements are for the year ended February 28, 2018. 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, 2017, 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.

B. Participants

At the February 28, 2018 measurement date, the following participants were covered by the benefit terms:

Inactive participants currently receiving benefits	80
Inactive participants entitled to but not yet receiving benefit payments	106
Active participants	<u>168</u>
Total	<u><u>354</u></u>

INCORPORATED VILLAGE OF LINDENHURST
NOTES TO FINANCIAL STATEMENTS
(Continued)

Contributions

New York State General Municipal Law §219-o (1) requires the Village Board to contribute to an actuarially determined contribution on an annual basis. The actuarially determined contribution shall be appropriated annually by the Village Board.

Trust Assets

Although assets have been accumulated in an irrevocable trust such that assets are dedicated to providing pensions to plan members in accordance with benefit terms, the trust assets are not legally protected from creditors of the Village. As such, the trust assets do not meet the criteria in paragraph 4 of GASB Statement No. 73.

C. Measurement of Total Service Award Program Liability

The total pension liability at the February 28, 2018 measurement date was determined using an actuarial valuation as of January 1, 2018.

Actuarial Assumptions

The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age Normal
Inflation:	3.00%
Salary Scale:	None assumed

Mortality rates were based on the RP 2000 Unisex Mortality Table.

Discount Rate

The discount rate used to measure the total pension liability was 3.57%. This was the yield to maturity of the Fidelity 20-Year GO AA Bond Index as of February 28, 2018. In describing this index, S&P Dow Jones Indices notes that the index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years and with a rating of at least Aa2 by Moody's Investors Service's, AA by Fitch, or AA by Standard & Poor's Rating Services.

D. Changes in Total Service Award Program Liability

The following represents the change in total service award program liability as of the plan year ended December 31, 2018.

Balance as of February 28, 2018 measurement date	<u>\$ 12,333,432</u>
Service cost	231,678
Interest	429,936
Changes of assumptions or other inputs	(343,938)
Differences between expected and actual experience	124,666
Benefit payments	<u>(376,672)</u>
Net change in total service award program liability	<u>65,670</u>
	<u><u>\$ 12,399,102</u></u>

INCORPORATED VILLAGE OF LINDENHURST
NOTES TO FINANCIAL STATEMENTS
(Continued)

Sensitivity of the Total Pension Liability to Changes in the Discount Rate

The following presents the total pension liability of the Village as of the February 28, 2018 measurement date, calculated using the discount rate of 3.57%, as well as what the Village's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.57%) or 1-percentage point higher (4.57%) than the current rate:

	1% Decrease (2.57)%	Current Assumption (3.57)%	1% Increase (4.57)%
Total pension liability	\$ (14,288,000)	\$ (12,399,102)	\$ (10,850,000)

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended February 28, 2018, the Village recognized pension expense of \$588,336. At February 28, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 124,666	\$
Changes of assumptions		343,938
Benefit payments and administrative expenses subsequent to the measurement date	402,047	
Total	\$ 526,713	\$ 343,938

The \$402,047 reported as deferred outflows of resources related to pensions resulting from Village transactions subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ending February 28, 2019.

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 Ending February 28,</u>	
2019	\$ (22,851)
2020	(22,851)
2021	(22,851)
2022	(22,851)
2023	(22,851)
Thereafter	(105,017)
	<u>\$ (219,272)</u>

INCORPORATED VILLAGE OF LINDENHURST
NOTES TO FINANCIAL STATEMENTS
(Continued)

12. 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, 2018 totaled \$129,241.

13. 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.

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, 2018, the Village recognized a general fund expenditure of \$253,244 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)	\$ 583,563
Interest on net OPEB obligation	58,813
Adjustment to ARC	<u>(90,785)</u>
Annual OPEB cost (expense)	551,591
Contributions made	<u>(253,244)</u>
Increase in net OPEB obligation	298,347
Net OPEB obligation - beginning of year	<u>2,940,632</u>
Net OPEB obligation - end of year	<u>\$ 3,238,979</u>

INCORPORATED VILLAGE OF LINDENHURST
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended February 28, 2018 and the two preceding years are as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
February 28, 2018	\$ 551,591	45.9%	\$ 3,238,979
February 28, 2017	540,997	38.1%	2,940,632
February 29, 2016	530,865	35.0%	2,605,897

D. Funded Status and Funding Progress

As of February 28, 2017, 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 \$3,191,731, and the ratio of the UAAL to the covered payroll was 206.82%.

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

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 level percentage of payroll 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.

14. ASSIGNED: APPROPRIATED FUND BALANCE

The amount of \$190,000 has been appropriated to reduce taxes for the year ending February 28, 2019.

INCORPORATED VILLAGE OF LINDENHURST
NOTES TO FINANCIAL STATEMENTS
(Continued)

15. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Village implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ended February 28, 2018. The implementation of the statement requires, among other things, that the Village eliminate the presentation of the Lindenhurst Fire Department Service Award Program in the Agency Fund and present the assets in the General Fund. In addition, the statement requires that the Village record its total pension liability of the Lindenhurst Fire Department Service Award Program in the government-wide financial statements. Accounting changes adopted to conform to the provisions of the statements are to be applied retroactively and reported as a restatement of beginning net position. Accordingly, the Village's net position in the government-wide Statement of Net Position and the beginning fund balances of the General Fund in the fund financial statements were restated as follows:

	<u>Net Position</u>	<u>General Fund Fund Balance</u>
Net position/general fund balances beginning of year, as previously stated	\$ 21,681,197	\$ 4,423,315
GASB Statements No. 73 implementation		
Beginning service award asset	4,288,702	4,288,702
Beginning service award liability	(12,333,432)	
Beginning deferred outflow of resources for benefit payments subsequent to the measurement date.	<u>434,254</u>	
Net position/general fund balances beginning of year, as restated	<u>\$ 14,070,721</u>	<u>\$ 8,712,017</u>

16. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At February 28, 2018, the Village encumbered \$45,326 as restricted fund balance in the capital projects fund.

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, 2018, which could affect future operating budgets of the Village.

INCORPORATED VILLAGE OF LINDENHURST
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

17. SUBSEQUENT EVENTS

The Village has evaluated subsequent events through the date of the auditor's report, 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, except for the following:

Issuance of Serial Bonds

On May 22, 2018 the Village issued public improvement serial bonds in the amount of \$310,000. The bonds are due each year on May 15 beginning in 2019 through 2023, and bear interest rates from 2.5% - 3.0%.

INCORPORATED VILLAGE OF LINDENHURST
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For The Year Ended February 28, 2018

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Real property taxes	\$ 7,435,545	\$ 7,439,045	\$ 7,460,999	\$ 21,954
Other tax items	84,480	84,480	81,257	(3,223)
Non-property tax items	925,000	925,000	909,269	(15,731)
Departmental income	2,617,690	2,617,690	2,611,630	(6,060)
Intergovernmental charges	269,715	269,715	271,402	1,687
Use of money and property	84,000	84,000	228,026	144,026
Licenses and permits	350,600	350,600	400,603	50,003
Fines and forfeitures	226,000	226,000	229,757	3,757
Sale of property and compensation for loss	113,100	126,000	112,630	(13,370)
Miscellaneous	49,875	46,375	139,546	93,171
State sources	816,200	816,200	912,443	96,243
Federal sources			31,620	31,620
Total Revenues	12,972,205	12,985,105	13,389,182	\$ 404,077
APPROPRIATED FUND BALANCE				
Prior years' surplus	143,000	180,000		
Prior years' assigned		180,500		
Appropriated reserves		43,000		
Prior year's encumbrances		84,294		
Total Appropriated Fund Balance	143,000	487,794		
Total Revenues and Appropriated Fund Balance	\$ 13,115,205	\$ 13,472,899		
EXPENDITURES				
General government support	\$ 1,911,475	\$ 1,976,865	1,847,534	\$ 129,331
Public safety	2,109,250	2,145,760	2,172,821	(27,061)
Health	3,900	1,300	1,300	-
Transportation	2,054,970	2,437,550	2,404,160	33,390
Economic opportunity and development	10,000	450	435	15
Culture and recreation	818,530	766,309	759,139	7,170
Home and community services	975,600	937,925	850,212	87,713
Employee benefits	3,635,220	3,610,480	3,289,354	321,126
Debt service				
Principal	1,453,940	1,453,940	1,453,935	5
Interest	137,320	137,320	135,783	1,537
Total Expenditures	13,110,205	13,467,899	12,914,673	553,226
OTHER FINANCING USES				
Operating transfers out	5,000	5,000		5,000
Total Expenditures and Other Uses	\$ 13,115,205	\$ 13,472,899	12,914,673	\$ 558,226
Net Change in Fund Balance			474,509	
Fund Balances - Beginning of year, as restated			8,712,017	
Fund Balances - End of year			\$ 9,186,526	

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, 2018

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%
February 28, 2017	-	6,601,097	6,601,097	0%	3,191,731	206.8%

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

Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Village's proportion of the net pension liability	0.0106260%	0.0109917%	0.0106836%
Village's proportionate share of the net pension liability	\$ 998,440	\$ 1,764,197	\$ 360,917
Village's covered payroll	\$ 3,201,496	\$ 3,136,672	\$ 3,024,910
Village's proportionate share of the net pension liability as a percentage of its covered payroll	31.19 %	56.24 %	11.93 %
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.68%	97.95%

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

	<i>Employees' Retirement System</i>									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 485,456	\$ 490,691	\$ 566,440	\$ 596,053	\$ 634,352	\$ 524,709	\$ 454,149	\$ 328,958	\$ 263,601	\$ 264,456
Contributions in relation to the contractually required contribution	485,456	490,691	566,440	596,053	634,352	524,709	454,149	328,958	263,601	264,456
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered payroll	\$ 3,201,496	\$ 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
Contributions as a percentage of covered payroll	15%	16%	19%	20%	21%	18%	17%	11%	8%	9%

INCORPORATED VILLAGE OF LINDENHURST
Schedule of Changes in the Village's Service Award Liability
Last Fiscal Year

Measurement date as of February 28,	<u>2018</u>
Total Service Award Program Liability	
Service cost	\$ 231,678
Interest	429,936
Changes in assumptions or other inputs	(343,938)
Differences between expected and actual experience	124,666
Benefit payments	<u>(376,672)</u>
Net change in total service award program liability	65,670
Total Service Award Program Liability - Beginning	<u>12,333,432</u>
Total Service Award Program Liability - Ending	<u>\$ 12,399,102</u>
Covered employee payroll	N/A
Total service award program liability as a percentage of covered employee payroll	N/A

Note to Required Supplementary Information

Changes of assumptions or other inputs: The discount rate used to measure the total pension liability was based on the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index and was as follows:

February 28, 2018	3.57%
February 28, 2017	3.54%

Trust Assets: There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73 to pay related benefits.

VINCENT D. CULLEN, CPA
(1950 - 2013)

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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**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, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 8, 2018.

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 September 8, 2018.

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

September 8, 2018

