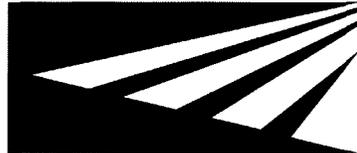


**INCORPORATED VILLAGE OF NORTHPORT**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**AS OF AND FOR THE YEAR ENDED**  
**FEBRUARY 28, 2018**  
**TOGETHER WITH AUDITOR'S REPORTS**

**INCORPORATED VILLAGE OF NORTHPORT**  
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**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of the  
Incorporated Village of Northport:

***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 Northport (the "Village"), as of and for the year ended February 28, 2018, and the related notes to 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 financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Incorporated Village of Northport, as of February 28, 2018, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

# NawrockiSmith

## ***Changes In Accounting Principles and Prior Period Adjustment***

As discussed in Note 1 to the financial statements, in 2018 the Village adopted accounting guidance, GASB No. 72, Fair Value Measurement and Application and GASB No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68. The effect of GASB No. 73 required a prior period adjustment as discussed in Note 14 to the financial statements. 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 the management's discussion and analysis, budgetary comparison information, schedule of funding progress for the retiree health plan, and pension schedules on pages 3-14 and 50-57, 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 ("GASB"), who considers it to be an essential part of financial reporting for placing the 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 June 1, 2018, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Melville, New York  
June 1, 2018



**INCORPORATED VILLAGE OF NORTHPORT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2018**

The following is a discussion and analysis of the Incorporated Village of Northport's (the "Village") financial performance for the fiscal year ended February 28, 2018. This section is a summary of the Village's financial activities based on currently known facts, decisions or conditions. It is also based on both the Village-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the Village's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- As described in Note 1 to the financial statements, the Village has implemented GASB Statement No. 72, Fair Value Measurement and Application, and GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within The Scope Of GASB Statement 68. The implementation of Statement No. 72 had no impact on net position or fund balance. The implementation of Statement No. 73 resulted in a restatement to the opening net position as of March 1, 2017. Prior year balances in management's discussion and analysis have been updated for comparison purposes.
- The Village's governmental activities total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$8,193,881 (total net position). This consists of \$16,132,268 invested in capital assets, net of related debt, \$2,011,985 restricted for the service award program, and a deficit unrestricted portion of \$9,950,372.
- The Village's net position increased \$811,007 in 2018.
- The Village's total outstanding bonded indebtedness decreased \$613,900 as a result of current year debt service payments and amortization of the applicable premium.
- Total Village revenues from governmental activities decreased \$1,581,457 (mainly related to capital grants) and expenses increased \$1,025,866 (mainly related to increase in public safety expenses).
- The Village's General Fund fund balance decreased \$156,319, compared to an increase of \$913,656 in the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts: required supplementary information including management's discussion and analysis (this section) and the basic financial statements. The financial statements include two kinds of financial statements that present different views of the Village:

- The first two financial statements are *Village-wide financial statements* that provide both *short-term* and *long-term* information about the Village's *overall* financial status.
- The remaining financial statements are *fund financial statements* that focus on *individual parts* of the Village, reporting the Village's operations in *more detail* than the Village-wide financial statements.

- The *fund financial statements* tell how programs were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary fund financial statements* provide information about the financial relationships in which the Village acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Village's budget for the year.

Table A-1 summarizes the major features of the Village's financial statements, including the portion of the Village's activities they cover and the types of information they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the financial statements.

	Village-Wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire Village (except fiduciary funds)	The activities of the Village that are not proprietary or fiduciary	Instances in which the Village administers resources on behalf of someone else
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Assets and Liabilities</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities and deferred inflows of resources (if any), both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

## **Village-Wide Financial Statements**

The Village-wide financial statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Village's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Village-wide financial statements report the Village's net position and how they have changed. Net position - the difference between the Village's assets, deferred outflows of resources, liabilities and deferred inflows of resources - is one way to measure the Village's financial health or *position*.

- Over time, increases or decreases in the Village's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Village's overall health, you need to consider additional non-financial factors such as availability of Federal funding and the condition of buildings and other facilities.

In the Village-wide financial statements, the Village's activities are shown as *governmental activities*; most of the Village's basic services are included here. Property taxes, charges for services, operating grants and capital grants finance most of these activities.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the Village's funds, focusing on its most significant or "major" funds - not the Village as a whole. Funds are accounting devices the Village uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The Village establishes other funds to control and to manage money for particular purposes or to show that it is properly using certain revenues (such as Federal grants).

The Village has two kinds of funds:

- *Governmental funds*: Most of the Village's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the fund financial statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the Village-wide financial statements, reconciliations of the Village-wide and fund financial statements are provided which explain the relationship (or differences) between them.
- *Fiduciary funds*: The Village is the trustee or fiduciary, for assets that belong to others. The Village is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Village excludes these activities from the Village-wide financial statements because it cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

### Financial Highlights:

#### Net position:

The Village's total assets and deferred outflows of resources on February 28, 2018 were approximately \$35.1 million, an increase of \$3.1 million over the prior year. Total liabilities and deferred inflows of resources were approximately \$26.9 million, an increase of \$2.2 million over the prior year. The result is a net position of \$8.2 million, an increase of \$811,007 over the prior year.

- Working capital of \$5.4 million as of February 28, 2018, which is consistent with 2017.
- Net position increased \$811,007 for the year ended February 28, 2018. The increase is the result of the following: an increase in net investment in capital assets due to capital asset additions exceeding related debt items; an increase in restricted net position from changes in assets held for the length of service award program ("LOSAP"); offset by an increase in unrestricted deficit as a result of reported changes in liabilities for other post-employment benefits, the net pension liability and the total pension liability for LOSAP. As shown below, noncurrent liabilities increased \$2,948,361. Unrestricted net deficit increased \$1,501,897, as a result of current year revenues exceeding expenses by \$811,007 offset by the increase in net investment in capital assets of \$2,073,937, primarily as a result of the EFC note payable increasing by \$3,419,332 due to the issuance of the new note, offset by the reduction of outstanding bonds by \$613,900.

**Table A-2: Condensed Statements of Net Position - Governmental Activities**

	<u>2/28/18</u>	<u>(As Restated)</u> <u>2/28/17</u>	<u>\$ Change</u>	<u>% Change</u>
Current assets	\$ 7,620,202	\$ 8,233,481	\$ (613,279)	(7.4)
Capital assets, net	<u>23,858,843</u>	<u>19,052,470</u>	<u>4,806,373</u>	25.2
Total assets	<u>\$ 31,479,045</u>	<u>\$ 27,285,951</u>	<u>\$ 4,193,094</u>	15.4
Deferred outflows of resources	<u>\$ 3,594,714</u>	<u>\$ 4,733,272</u>	<u>\$ (1,138,558)</u>	(24.1)
Current liabilities	\$ 2,171,235	\$ 2,777,090	\$ (605,855)	(21.8)
Noncurrent liabilities	<u>24,318,385</u>	<u>21,370,024</u>	<u>2,948,361</u>	13.8
Total liabilities	<u>\$ 26,489,620</u>	<u>\$ 24,147,114</u>	<u>\$ 2,342,506</u>	9.7
Deferred inflows of resources	<u>\$ 390,258</u>	<u>\$ 489,235</u>	<u>\$ (98,977)</u>	(20.2)
Net position:				
Net investment in capital assets	\$ 16,132,268	\$ 14,058,331	\$ 2,073,937	14.8
Restricted	2,011,985	1,773,018	238,967	13.5
Unrestricted	<u>(9,950,372)</u>	<u>(8,448,475)</u>	<u>(1,501,897)</u>	(17.8)
Total net position	<u>\$ 8,193,881</u>	<u>\$ 7,382,874</u>	<u>\$ 811,007</u>	11.0

## Change in Net Position

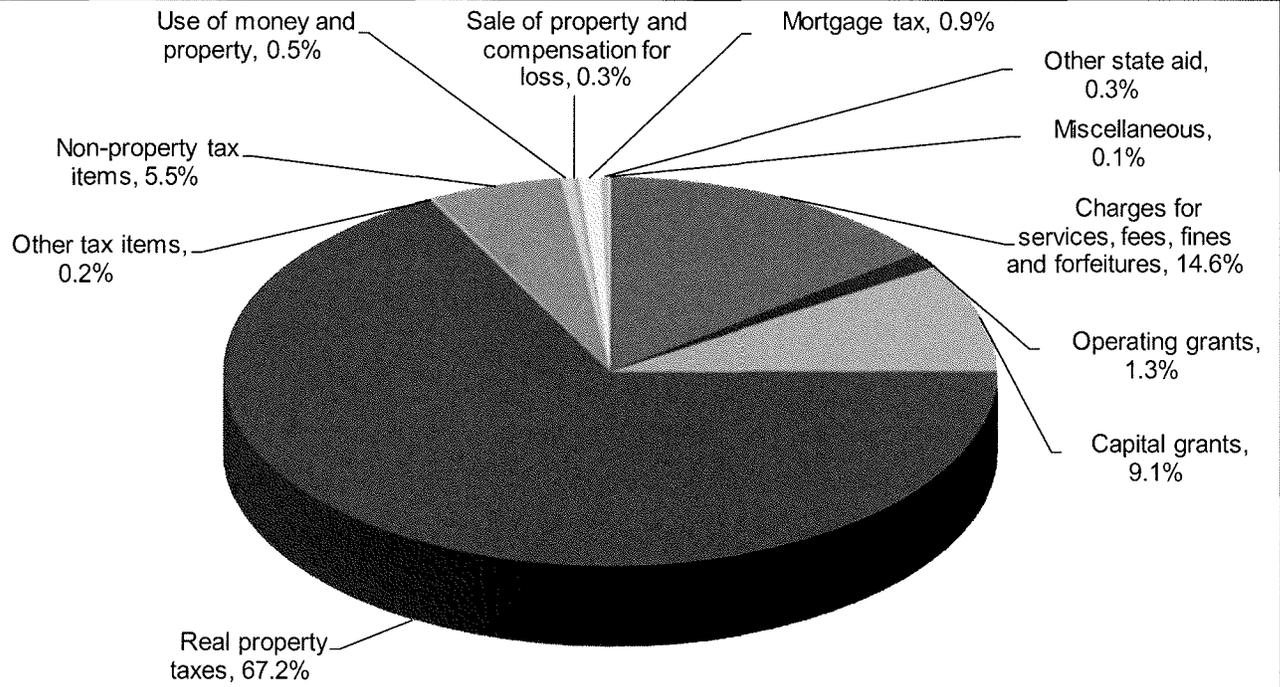
The Village's program revenues for the year ended February 28, 2018 were \$4.5 million, a decrease of \$1.6 million from 2017, which is primarily related to a decrease in capital grants (see page 8). Total revenues were \$17.9 million, which is a decrease of \$1.6 million. Expenses increased approximately \$1.0 million, primarily as a result of increased public safety expenses primarily relating to the new police contract. This resulted in an increase in net position for the year ended February 28, 2018 of approximately \$811K. The table below outlines a comparison of revenues and expenses for the Village for the years ended February 28, 2018 and February 28, 2017.

	<u>2/28/18</u>	<u>2/28/17</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Revenues</b>				
Program revenues:				
Charges for services, fees, fines and forfeitures	\$ 2,603,219	\$ 2,417,176	\$ 186,043	7.7
Operating grants	235,051	141,236	93,815	66.4
Capital grants	1,636,867	3,554,513	(1,917,646)	(53.9)
General revenues:				
Real property taxes	12,018,301	11,670,195	348,106	3.0
Other tax items	38,009	28,151	9,858	35.0
Non-property tax items	981,501	1,194,419	(212,918)	(17.8)
Use of money and property	88,992	44,393	44,599	100.5
Sale of property and compensation for loss	47,017	206,816	(159,799)	(77.3)
Mortgage tax	158,396	139,896	18,500	13.2
Other state aid	57,758	58,532	(774)	(1.3)
Miscellaneous	18,700	9,941	8,759	88.1
	<u>17,883,811</u>	<u>19,465,268</u>	<u>(1,581,457)</u>	<u>(8.1)</u>
<b>Expenses</b>				
General government	2,527,269	2,570,057	(42,788)	(1.7)
Public safety	9,888,064	8,809,761	1,078,303	12.2
Health	574	1,217	(643)	(52.8)
Transportation	1,733,054	1,726,156	6,898	0.4
Economic opportunity and assistance	8,820	1,680	7,140	425.0
Culture and recreation	686,416	662,266	24,150	3.6
Home and community services	2,074,632	2,118,523	(43,891)	(2.1)
Interest on debt	153,975	157,278	(3,303)	(2.1)
	<u>17,072,804</u>	<u>16,046,938</u>	<u>1,025,866</u>	<u>6.4</u>
Change in net position	811,007	3,418,330	(2,607,323)	(76.3)
Total net position, beginning of year	7,382,874	7,193,898	188,976	2.6
Prior period adjustment, see Note 14	-	(3,229,354)	3,229,354	(100.0)
Total net position, end of year	<u>\$ 8,193,881</u>	<u>\$ 7,382,874</u>	<u>\$ 811,007</u>	<u>11.0</u>

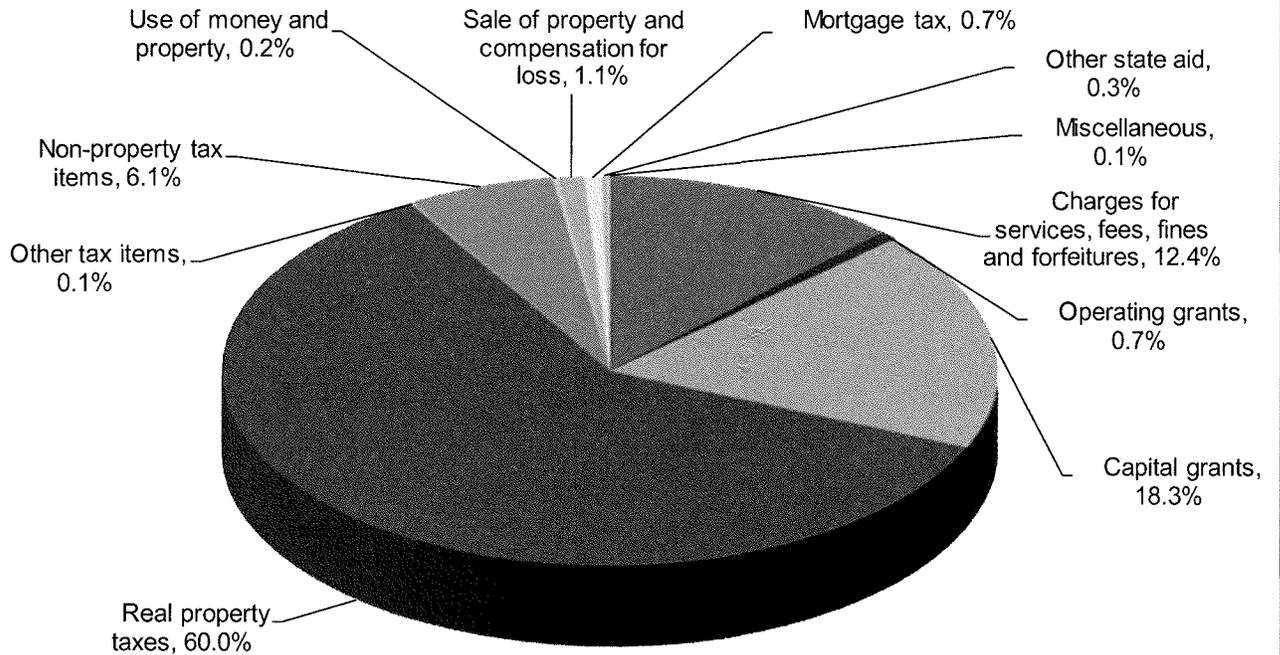
Significant elements of the changes in Village-wide revenues and expenses were as follows:

- Charges for services increased \$186,043 primarily due to increases in fines and forfeitures of \$101,389, and forfeiture of crime proceeds of \$31,450.
- Capital grants decreased \$1,917,646 primarily due to the Village drawing down on the EFC infrastructure grant funding in the Sewer Fund in the amount of \$2,865,000 during 2016-17, whereas only \$1,500,000 was drawn down in 2017-18, as well as a decrease in CHIPS funding received in 2018.
- Revenues from property taxes and other tax items, primarily interest and fees, increased as a result of an increase in the budgeted tax levy for fiscal 2017-18. The tax rate increased slightly, and the assessed value of properties for the Village also increased year over year.
- Revenues from non-property tax items decreased by \$212,918 due to a budgeted decrease in utility receipt taxes.
- Revenues from the sale of property or compensation for loss decreased \$159,799 mainly due to Village receiving revenues related to insurance recoveries of \$195,761 in 2016-17, whereas only \$41,517 was received during 2017-18.
- Public safety expenses increased \$1,078,303 year over year due to increases in expenses relating to professional services and contractual service expenses, primarily due to the new police contract.
- Interest on debt decreased from \$157,278 to \$153,975, or \$3,303. The Village's current debt service is estimated to decrease to \$87,000 in 2019 excluding any future projects financed with debt.

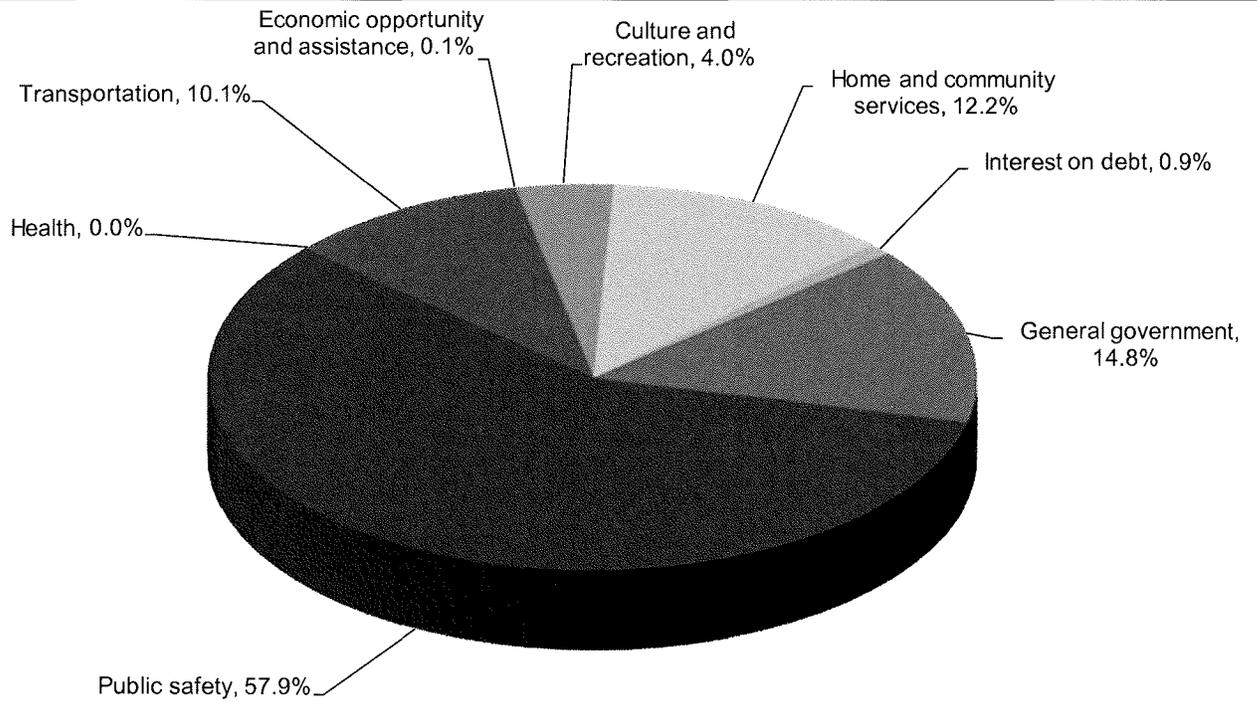
**Table A-4: Sources of Revenues for Fiscal Year 2018**



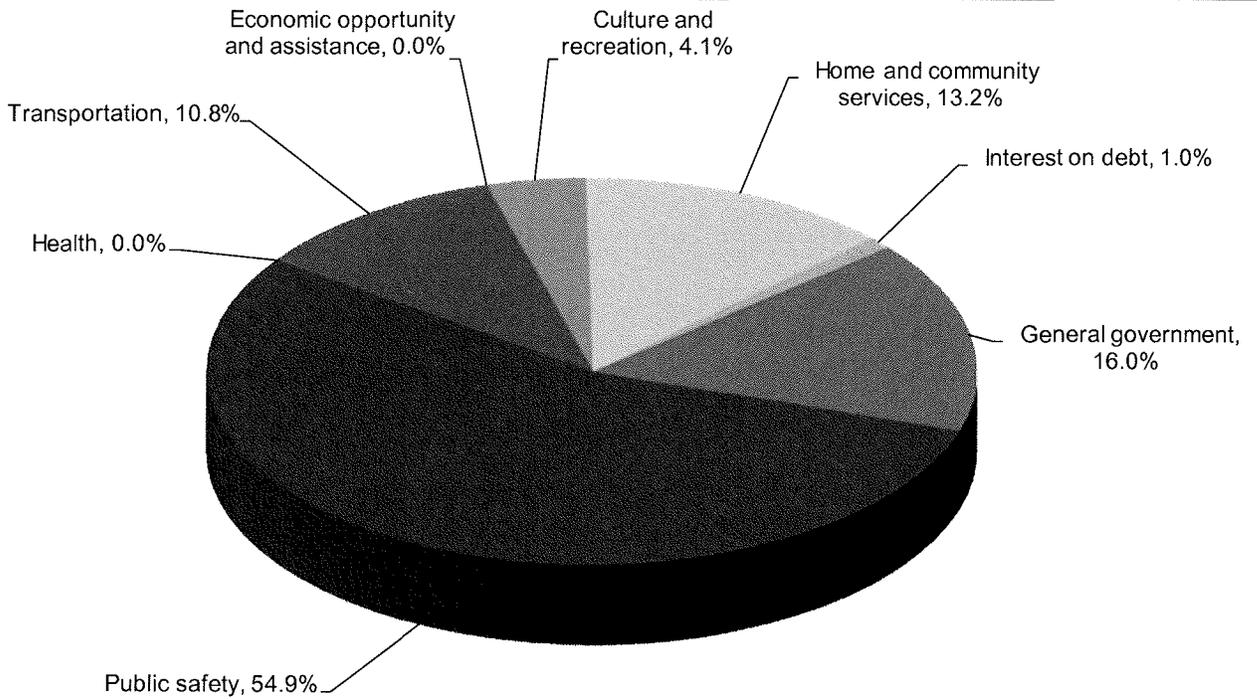
**Table A-5: Sources of Revenues for Fiscal Year 2017**



**Table A-6: Expenses for Fiscal Year 2018**



**Table A-7: Expenses for Fiscal Year 2017**



## **Governmental Activities**

Revenues for the Village's governmental activities were consistent with the Village-wide operating results. Governmental expenditures exceed Village-wide expenditures due principally to payment for capital assets and long-term debt.

The primary program activities of the Village included:

- Police enforcement
- Fire protection
- Street maintenance
- Street lighting
- Snow removal
- Recreational activities
- Code enforcement
- Refuse disposal
- Sewage treatment
- Zoning

Substantially all of the Village's revenues are generated through real property taxes, charges for services, non-property tax items, operating grants and capital grants.

## **FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS**

### **Governmental Funds**

Variances between years for the fund financial statements are not the same as variances between years for the Village-wide financial statements. The Village's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets and the current payments for debt.

The Village's fund financial statements show the following variations year over year:

- General Fund total assets decreased \$431,181, as restated. The decrease was generally due to the decrease in due from other governments, as a result of timing of payments received for certain grants and other items.
- General Fund total liabilities decreased \$274,862 due to a decrease in accounts payable and accrued expenses. The decrease in accrued expenses is mainly due to the timing of payments made at year-end for the Village's purchased goods and services as well as accrued payroll and related expenditures.
- General Fund reported an excess of revenues over expenditures, before other financing sources (uses), of \$686,986, compared to \$1,675,453 in 2017. Total change in fund balance including all sources was a decrease of \$156,319, compared to an increase of \$913,656 in the previous year.
- General Fund expenditures increased \$877,616, primarily due to increases in public safety expenses and transportation, offset by decreases in general government and home and community services.

- General Fund other financing uses were \$843,305 as a result of transfers out to the Sewer Fund and Capital Projects Fund. Uses were \$161,508 more than the prior year.
- Sewer Fund total assets decreased \$210,085 as a result of a decrease in accounts receivable and due from other governments.
- Sewer Fund total liabilities increased \$39,195 as a result of an increase in due to other funds.
- Sewer Fund state and local aid decreased \$1,365,600, primarily due to less infrastructure grant funds being received.

As of February 28, 2018, the Village's governmental funds had a combined fund balance of \$7,365,244, which is a decrease of \$89,337 from the previous year, as restated. Fund balances for the Village's governmental funds for the past two years were distributed as follows:

	<u>2/28/18</u>	(As Restated) <u>2/28/17</u>	<u>\$ Change</u>	<u>% Change</u>
General Fund	\$7,365,244	\$7,521,563	\$ (156,319)	(2.1)
Sewer Fund	-	249,280	(249,280)	(100.0)
Capital Projects Fund	-	(316,262)	316,262	100.0
Total fund balances	<u>\$7,365,244</u>	<u>\$7,454,581</u>	<u>\$ (89,337)</u>	(1.2)

### **General Fund Budgetary Highlights**

Reference is made to the budget vs. actual schedules on pages 50 and 51 which presents budget and actual results for the Village's General Fund and Sewer Fund.

- Actual revenues (before appropriations of fund balance) in the General Fund were more than budgeted revenues by \$208,140 primarily due to greater than expected revenues in most categories offset by less than expected state and local aid, which was under budget by \$264,023.
- Actual expenditures in the General Fund were less than budgeted by \$377,079 (excluding encumbrances of \$102,789) primarily due to less than anticipated spending in all of the Village's functional categories with the exception of public safety.
- Actual revenues in the Sewer Fund were more than budget by \$1,486,329 primarily due to the Suffolk County infrastructure grant.
- Actual expenditures in the Sewer Fund were more than anticipated by \$1,613,392 due to more than budgeted spending on debt service expenditures.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

By the end of 2018, the Village had invested \$23,858,843, net of depreciation, in a broad range of capital assets.

	<u>2/28/18</u>	<u>2/28/17</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 1,655,294	\$ 1,655,294	\$ -	0.0
Land improvements	64,153	72,735	(8,582)	(11.8)
Buildings and building improvements	11,075,784	11,398,064	(322,280)	(2.8)
Machinery and equipment	1,017,051	807,821	209,230	25.9
Vehicles	1,195,516	1,171,425	24,091	2.1
Infrastructure	<u>8,851,045</u>	<u>3,947,131</u>	<u>4,903,914</u>	124.2
Totals	<u>\$ 23,858,843</u>	<u>\$ 19,052,470</u>	<u>\$ 4,806,373</u>	25.2

The Village had significant additions related to infrastructure during 2018 due to the new EFC note.

### Long-Term Liabilities

At year-end, the Village had total long-term liabilities of \$20,768,252.

The Village's bond rating is AA+ according to Standard and Poor's Ratings Services.

The Village's current outstanding bonded indebtedness was \$2,545,602 as of February 28, 2018. During 2018, the Village repaid the outstanding EFC note payable, and was approved for additional financing from EFC in the total amount of \$6,228,330. The EFC note payable outstanding was \$5,208,989 as of February 28, 2018.

Pursuant to New York State Local Finance Law §104, the Village's outstanding long-term debt must be no more than 7% of the five-year average full valuation of real property. This is also known as the "constitutional debt limit". At February 28, 2018, the Village had exhausted 2.8% of its limit.

In accordance with GASB Statement No. 68, the Village has accrued \$2,371,923 for their proportionate share of the New York State Local Retirement Systems net pension liability. The Villages make a yearly payment for their proportionate share of the pension's funds expense. The Village has accrued a \$7.5 million obligation for other post-employment benefits in accordance with GASB Statement No. 45 on the Village-wide financial statements. See Notes 9 and 10, respectively, in the notes to financial statements for more detailed information.

**Table A-10: Long-Term Liabilities**

	<u>2/28/18</u>	<u>2/28/17</u>	<u>\$ Change</u>	<u>% Change</u>
Bonds payable, net	\$ 2,545,602	\$ 3,159,502	\$ (613,900)	(19.4)
EFC note payable	5,208,989	1,789,657	3,419,332	191.1
Bond anticipation note payable	-	80,000	(80,000)	(100.0)
Net pension liability	2,371,923	3,573,585	(1,201,662)	(33.6)
Due to employees' retirement system	455,750	658,631	(202,881)	(30.8)
Other post-employment benefits	7,537,325	6,643,425	893,900	13.46
Compensated absences	<u>2,648,663</u>	<u>2,582,704</u>	<u>65,959</u>	2.6
Totals	<u>\$ 20,768,252</u>	<u>\$ 18,487,504</u>	<u>\$ 2,280,748</u>	12.3

### **FACTORS BEARING ON THE FUTURE OF THE VILLAGE**

At the time these financial statements were prepared and audited, the Village was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The Village's elected and appointed officials considered many factors when setting the year 2018-19 budget, tax rates, and fees that will be charged. One of those factors is the economy. The Village, located in Suffolk County, NY generally has more favorable financial statistical data than the County or New York State. These factors provide a stable tax environment enabling the Village to reliably project tax revenue.
- Changes in accounting principles which are set to be implemented in subsequent years will force the Village to recognize the full obligation due under other post-employment benefit arrangements. This could adversely affect the Village's Statement of Net Position by increasing the amount reported for total liabilities.
- The "Tax Levy Limitation Law" which was enacted on June 24, 2011 restricts the amount of property taxes that may be levied by or on behalf of a Village in a particular year. Although there are exceptions, exemptions and overrides to the limitation, the new Law is expected to make budgetary decisions more difficult. The limitation does not provide exclusion for debt service on general obligations issued by the Village. Accordingly, the Village has taken the appropriate steps to opt out of the applicable cap.

### **CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the Village's citizens, taxpayers, customers and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

Attention: Village Treasurer  
 Incorporated Village of Northport  
 224 Main Street  
 Northport, New York 11768  
 (631) 261-7502

**INCORPORATED VILLAGE OF NORTHPORT**  
**STATEMENT OF NET POSITION**  
**FEBRUARY 28, 2018**

**ASSETS**

Cash:		
Unrestricted	\$	5,210,166
Restricted		132,770
Service awards program asset		2,011,985
Receivables:		
Accounts receivable		66,320
Taxes		96,534
Due from fiduciary funds		102,427
Non-depreciable capital assets		1,655,294
Depreciable capital assets, net		<u>22,203,549</u>
Total assets		<u>31,479,045</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred charge from refunding bonds	28,016
Pension related	3,154,953
LOSAP related	<u>411,745</u>
Total deferred outflows of resources	<u>3,594,714</u>

**LIABILITIES**

Payables:		
Accounts payable	19,864	
Accrued expenses	216,235	
Interest payable	25,042	
Due to fiduciary funds	18,859	
Liabilities due within one year:		
Bonds payable, net	633,900	
Due to employees' retirement system	219,111	
Compensated absences	1,038,224	
Liabilities due in more than one year:		
Bonds payable, net	1,911,702	
EFC note payable	5,208,989	
Due to employees' retirement system	236,639	
Net pension liability - proportionate share	2,371,923	
Total pension liability - LOSAP	5,441,368	
Other post-employment benefits	7,537,325	
Compensated absences	<u>1,610,439</u>	
Total liabilities	<u>26,489,620</u>	

**DEFERRED INFLOWS OF RESOURCES**

Pension related	<u>390,258</u>
Total deferred inflows of resources	<u>390,258</u>

**NET POSITION**

Net investment in capital assets	16,132,268
Restricted:	
Service award program	2,011,985
Unrestricted	<u>(9,950,372)</u>
Total net position	<u>\$ 8,193,881</u>

The accompanying notes are an integral part of this statement.

**INCORPORATED VILLAGE OF NORTHPORT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED FEBRUARY 28, 2018**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services, Fees, Fines and Forfeitures</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Change in Net Position</u>
					<u>Primary Government</u>
Functions and programs:					
Primary government -					
General government	\$ 2,527,269	\$ 21,070	\$ -	\$ -	\$ (2,506,199)
Public safety	9,888,064	1,984,758	69,113	136,867	(7,697,326)
Health	574	-	-	-	(574)
Transportation	1,733,054	90,408	-	-	(1,642,646)
Economic opportunity and assistance	8,820	-	-	-	(8,820)
Culture and recreation	686,416	63,315	10,000	-	(613,101)
Home and community services	2,074,632	443,668	155,938	1,500,000	24,974
Debt service - interest	153,975	-	-	-	(153,975)
Total primary government	<u>\$ 17,072,804</u>	<u>\$ 2,603,219</u>	<u>\$ 235,051</u>	<u>\$ 1,636,867</u>	<u>(12,597,667)</u>
General revenues:					
Real property taxes					12,018,301
Other tax items					38,009
Non-property tax items					981,501
Mortgage tax					158,396
State aid - unrestricted					57,758
Use of money and property					88,992
Sale of property and compensation for loss					47,017
Miscellaneous					18,700
Total general revenues					<u>13,408,674</u>
Change in net position					811,007
Total net position, beginning of year, as restated, see Note 14					<u>7,382,874</u>
Total net position, end of year					<u>\$ 8,193,881</u>

The accompanying notes are an integral part of this statement.

**INCORPORATED VILLAGE OF NORTHPORT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**FEBRUARY 28, 2018**

	<b>Major Funds</b>			
	<b>General Fund</b>	<b>Special Revenue Fund</b>		<b>Total Governmental Funds</b>
		<b>Sewer Fund</b>	<b>Capital Projects Fund</b>	
<b>ASSETS</b>				
Cash:				
Unrestricted	\$ 4,948,058	\$ 262,108	\$ -	\$ 5,210,166
Restricted	-	-	132,770	132,770
Service awards program asset	2,011,985	-	-	2,011,985
Receivables:				
Accounts receivable	-	66,320	-	66,320
Taxes	96,534	-	-	96,534
Due from other funds	410,042	7,782	102,173	519,997
Due from fiduciary funds	102,427	-	-	102,427
Total assets	<u>\$ 7,569,046</u>	<u>\$ 336,210</u>	<u>\$ 234,943</u>	<u>\$ 8,140,199</u>
<b>LIABILITIES</b>				
Payables:				
Accounts payable	\$ 10,795	\$ 9,069	\$ -	\$ 19,864
Accrued expenses	178,674	37,561	-	216,235
Due to other funds	7,782	277,272	234,943	519,997
Due to fiduciary fund	6,551	12,308	-	18,859
Total liabilities	<u>203,802</u>	<u>336,210</u>	<u>234,943</u>	<u>774,955</u>
<b>FUND BALANCE</b>				
Fund balance:				
Restricted	2,011,985	-	-	2,011,985
Assigned	1,846,413	-	-	1,846,413
Unassigned	3,506,846	-	-	3,506,846
Total fund balance	<u>7,365,244</u>	<u>-</u>	<u>-</u>	<u>7,365,244</u>
Total liabilities and fund balance	<u>\$ 7,569,046</u>	<u>\$ 336,210</u>	<u>\$ 234,943</u>	<u>\$ 8,140,199</u>

The accompanying notes are an integral part of this balance sheet.

**INCORPORATED VILLAGE OF NORTHPORT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**FEBRUARY 28, 2018**

Total Fund Balance - Governmental Funds \$ 7,365,244

Amounts reported for governmental activities in the Statement of Net Position are different due to the following:

Capital assets less accumulated depreciation are included in the Statement of Net Position:

Capital assets:

Non-depreciable	\$ 1,655,294	
Depreciable	35,987,494	
Accumulated depreciation	<u>(13,783,945)</u>	23,858,843

Long-term liabilities applicable to the Village's governmental activities are not due and payable in the current period and accordingly are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position:

Bonds payable, net	(2,545,602)	
EFC note payable	(5,208,989)	
Due to employees' retirement system	(455,750)	
Other post-employment benefits	(7,537,325)	
Compensated absences	<u>(2,648,663)</u>	(18,396,329)

Deferred charge on refunding bond. 28,016

Pension related items are not reported in the fund financial statements since they are not related to current financial resources. The pension related items included in the governmental activities consist of the following:

Net pension liability - proportionate share	(2,371,923)	
Deferred outflows of resources - pension related	3,154,953	
Deferred inflows of resources - pension related	(390,258)	
Total pension liability - LOSAP	(5,441,368)	
Deferred outflows of resources - LOSAP	<u>411,745</u>	(4,636,851)

Interest payable applicable to the Village's governmental activities are not due and payable in the current period and accordingly are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position. (25,042)

Net Position - Governmental Activities \$ 8,193,881

The accompanying notes are an integral part of this statement.

**INCORPORATED VILLAGE OF NORTHPORT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT)**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2018**

	Major Funds			
	General Fund	Special Revenue Fund		Total Governmental Funds
		Sewer Fund	Capital Projects Fund	
<b>REVENUES</b>				
Real property taxes	\$ 12,018,301	\$ -	\$ -	\$ 12,018,301
Other tax items	38,009	-	-	38,009
Non-property tax items	981,501	-	-	981,501
Departmental income	304,375	432,245	-	736,620
Intergovernmental revenue	1,579,235	-	-	1,579,235
Fines and forfeitures	246,848	-	-	246,848
Use of money and property	88,989	-	3	88,992
Licenses and permits	6,225	-	-	6,225
State and local aid	432,134	1,626,851	29,087	2,088,072
Sale of property and compensation for loss	81,308	-	-	81,308
Miscellaneous	33,061	-	-	33,061
<b>Total revenues</b>	<b>15,809,986</b>	<b>2,059,096</b>	<b>29,090</b>	<b>17,898,172</b>
<b>EXPENDITURES</b>				
Current -				
General government	1,734,685	-	-	1,734,685
Public safety	5,745,826	-	-	5,745,826
Health	574	-	-	574
Transportation	1,581,216	-	-	1,581,216
Economic opportunity and assistance	8,820	-	-	8,820
Culture and recreation	454,087	-	-	454,087
Home and community services	897,241	844,086	-	1,741,327
Employee benefits	4,016,398	24,883	-	4,041,281
Capital outlay	-	-	5,321,099	5,321,099
Debt service -				
Principal	630,000	1,839,657	-	2,469,657
Interest	54,153	43,773	-	97,926
<b>Total expenditures</b>	<b>15,123,000</b>	<b>2,752,399</b>	<b>5,321,099</b>	<b>23,196,498</b>
Excess (deficiency) of revenues over (under) expenditures	686,986	(693,303)	(5,292,009)	(5,298,326)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of notes	-	-	5,208,989	5,208,989
Transfers in	-	444,023	399,282	843,305
Transfers out	(843,305)	-	-	(843,305)
<b>Total other financing sources (uses)</b>	<b>(843,305)</b>	<b>444,023</b>	<b>5,608,271</b>	<b>5,208,989</b>
Change in fund balance	(156,319)	(249,280)	316,262	(89,337)
Fund balance (deficit), beginning of year, as restated see Note 14	7,521,563	249,280	(316,262)	7,454,581
Fund balance, end of year	<u>\$ 7,365,244</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,365,244</u>

The accompanying notes are an integral part of this statement.

**INCORPORATED VILLAGE OF NORTHPORT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED FEBRUARY 28, 2018**

Net Change in Fund Balance - Governmental Funds \$ (89,337)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlay exceeds depreciation expense in the current period is:

Capital outlay, net	\$ 6,159,915	
Depreciation expense	<u>(1,353,542)</u>	4,806,373

The changes in revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (14,361)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Neither transaction has any effect on net position.

Repayment of bond anticipation note	80,000	
Proceeds from issuance of EFC note payable	(5,208,989)	
Repayment of bond principal	600,000	
Repayment of EFC note payable	<u>1,789,657</u>	(2,739,332)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Due to employees' retirement system	202,881	
Other post-employment benefits	(893,900)	
Compensated absences	(65,959)	
Pension related	(242,660)	
LOSAP related	(164,368)	
Amortization of deferred charge from refunding bond	(7,004)	
Amortization of bond premium	13,900	
Accrued interest costs	<u>4,774</u>	<u>(1,152,336)</u>

Net Change in Net Position - Governmental Activities \$ 811,007

The accompanying notes are an integral part of this statement.

**INCORPORATED VILLAGE OF NORTHPORT**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
**FEBRUARY 28, 2018**

	<b><u>Agency Funds</u></b>
<b>ASSETS</b>	
Cash	\$ 207,732
Due from governmental funds	<u>18,859</u>
Total assets	<u><u>\$ 226,591</u></u>
<b>LIABILITIES</b>	
Guaranty and bid deposits	\$ 26,407
Due to governmental funds	102,427
Other liabilities	<u>97,757</u>
Total liabilities	<u><u>\$ 226,591</u></u>

The accompanying notes are an integral  
part of this statement.

**INCORPORATED VILLAGE OF NORTHPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2018**

**1. Summary of significant accounting policies**

The financial statements of the Incorporated Village of Northport (the "Village") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

**A. Financial reporting entity**

The Incorporated Village of Northport, which was incorporated in 1894 and 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 Village Board of Trustees is the legislative body responsible of the overall operation of the Village. The Mayor serves as Chief Executive Officer and the Treasurer serves as Chief Fiscal Officer. The Mayor and the Board of Trustees appoint the Village Treasurer who serves as the Chief Fiscal Officer of the Village. The Mayor, with ratification by the Board of Trustees, annually appoints the principal department heads.

The Village provides a full range of municipal services including general support, public safety, health, transportation, economic assistance and opportunity, culture and recreation, and home and community service.

The financial reporting entity of the Village consists of (a) the primary government which is the Incorporated Village of Northport, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB.

**B. Basis of presentation**

**1. Village-wide financial statements**

The Statement of Net Position and the Statement of Activities present financial information about the Village's governmental activities. These financial statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal 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 the capital grants column reflects capital specific (when applicable).

The Statement of Activities presents a comparison between program expenses and 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. Indirect expenses, principally employee benefits and depreciation expense, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

## 2. Fund financial statements

The fund financial statements provide information about the Village's funds, including fiduciary funds. Separate financial statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Village records its transactions in the fund types described below:

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

### Major Funds:

General Fund - the principal operating fund which includes all operations not required to be recorded in other funds.

Special Revenue Funds - used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The following Special Revenue Funds are utilized:

Sewer Fund - used to account for sewage treatment operations not required to be accounted for on an enterprise basis. The financing is provided by Local Law 7 of 2010 to be 25% of estimated operational costs by sewer rents, contracts with the Village of Huntington and the balance by an operating transfer from the General Fund.

Capital Projects Fund - used to account for financial resources to be used for the acquisition, construction or resurfacing of major capital facilities and equipment.

- b. Fiduciary funds - used to account for assets held by the local government in a trustee or custodial capacity:

Agency Funds - 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

Basis of accounting refers to when revenues and expenditures/expenses and the related assets, deferred outflows of resources, liabilities and deferred inflows of resources, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

Modified accrual basis - the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Village considers all revenues reported in the governmental funds to be available if the revenues are collected within a reasonable period of time after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 90 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, installment purchase debt, other post-employment benefits, amortized retirement costs, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Material revenues that are accrued include real property taxes, State and Federal aid, sales tax and certain user charges. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made and the resources are available.

Accrual basis - the Village-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. Nonexchange transactions, in which the Village gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Fixed assets and long-term liabilities related to these activities are recorded within the funds.

D. Property taxes

Real property taxes are levied annually no later than February 1<sup>st</sup>, and become a lien on March 1<sup>st</sup>. Taxes are levied based upon the taxable value of all real property located within the Village. Taxes are recorded as a receivable on March 1<sup>st</sup>, and are payable in full without penalty to March 31<sup>st</sup>, each year. Thereafter, penalties and interest are imposed pursuant to the Real Property Tax Law. After certification and return of the tax warrant to the Board of Trustees of the uncollected tax items, an annual sale of the tax liens is held pursuant to the provisions of the Real Property Tax Law. Tax Sale Certificates are issued for all uncollected property tax liens. Delinquent taxes not received within 60 days of year-end are recorded as deferred inflows of resources.

E. Interfund transactions

Interfund transactions have been eliminated from the Village-wide financial statements. In the fund financial statements, interfund transactions include:

1. Interfund revenues

Interfund revenues represent amounts charged for services or facilities provided by one fund to another fund. The amounts paid by the fund receiving the benefits of the service or facilities are reflected as an expenditure of the fund receiving the service, are reflected as an expenditure of that fund.

## 2. Transfers

Transfers represent primarily budgeted appropriations to the operations of other governmental funds and also for payment of certain debt service items.

### F. Cash and cash equivalents

Cash consists of funds deposited in demand accounts, time deposit accounts and certificates of deposit with maturities of less than three months from the date acquired by the Village.

### G. Receivables

Receivables include amounts due from New York State and other governments or entities for services provided by the Village. Receivables are recorded and revenues are recognized as earned or as specific program expenditures are incurred. All receivables are deemed collectable; therefore no allowance account has been established.

### H. Restricted assets

Certain assets are classified as restricted assets because their use is restricted by contractual agreements and/or regulations.

### I. Capital assets

Capital assets are reported at actual cost or estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the Village-wide financial statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land improvements	\$2,000	Straight line	20 years
Building and building improvements	\$2,000	Straight line	25-50 years
Infrastructure	\$2,000	Straight line	10-65 years
Machinery and equipment	\$2,000	Straight line	5-15 years
Licensed vehicles	\$2,000	Straight line	8 years

### J. Deferred outflows

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

K. Deferred inflows/unearned revenues

Deferred inflows of resources are defined as an acquisition of net position by the government that is applicable to future periods. Deferred inflows are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues arise when the Village receives resources before it has legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the Village has legal claim to the resources, the deferred inflow/unearned revenue is removed and revenues are recorded.

L. Long-term obligations

The liabilities for long-term obligations consisting of general long-term debt, installment purchase debt, due to employees' retirement system, proportionate share of the net pension liability, other post-employment benefit obligations and compensated absences are recognized in the Village-wide financial statements. Bond premiums, discounts and any prepaid bond insurance costs are deferred and amortized over the life of the bonds using the straight line method, and bond issuance costs are recognized as an expense in the period incurred. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, long-term obligations are not reported as liabilities. The debt proceeds (when applicable) are reported as other financing sources and payment of principal and interest are reported as expenditures when paid.

M. Compensated absences

The liability for vested or accumulated vacation or sick leave (compensated absences) is recorded as current and noncurrent obligations in the Village-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, only the compensated absence liability payable from expendable available financial resources is incurred. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Vested vacation and sick leave is recorded in governmental funds as a fund liability and expenditures, if payable from current resources.

N. Post-employment benefits

In addition to providing pension benefits, the Village provides health insurance coverage and survivor benefits for retired employees and their survivors that meet the requirements within the Village's policies. Substantially all of the Village's employees may become eligible for these benefits if they reach normal retirement age while working for the Village. Health care benefits and survivor benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Village recognizes the cost of providing benefits by recording its share of insurance premiums as expenditures in the year paid. The liability for other post-employment benefits is recorded as a long-term obligation in the Village-wide financial statements.

O. Net position

In the Village-wide financial statements, there can be three classes of net position:

1. Net investment in capital assets: consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.
2. Restricted: consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
3. Unrestricted: is the amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

#### Fund financial statements

In the fund financial statements, there can be five classifications of fund balance:

1. Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The Village has no nonspendable fund balances as of February 28, 2018.
2. Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The Village has \$2,011,985 in restricted fund balances as of February 28, 2018.
3. Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, i.e. the Board. The Village Board of Trustees is the decision-making authority that can, by Board resolution, commit fund balance. The Village has no committed fund balances as of February 28, 2018.
4. Assigned - Includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed, except for tax stabilization agreements. The intent can be expressed by the Board or through the Board delegating this responsibility to the Village administration through the budgetary process. The classification also includes the remaining positive fund balances for all governmental funds except for the General Fund. The Village reported amounts appropriated for the subsequent year and amounts appropriated for special purposes (including encumbrances of \$102,789) of \$427,616 and \$1,418,797, respectively, for the year ended February 28, 2018 within assigned fund balance.
5. Unassigned - Includes all other General Fund fund balance that does not meet the definition of the above four classifications and are deemed to be available for general use by the Village. The unassigned classification also includes negative residual balances of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

### Net position and fund balance flow assumptions

Sometimes the Village will fund outlays for a particular purpose from both restricted (i.e. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the Village-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Sometimes the Village will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### P. Insurance

The Village assumes the liability for most risk including, but not limited to, property damage and personal injury liability. The Village maintains insurance policies in amounts and on terms generally standard for municipalities to insure against these liabilities. These insurance policies limit the overall exposure to Village assets by providing a third party insurer to assume the risk and liabilities relating to claims. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

#### Q. 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 the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, potential contingent liabilities and useful lives of long-lived assets.

#### R. New accounting standards

The Village implemented GASB Statement No. 72, Fair Value Measurement and Application. This Statement provides guidance for determining a fair value measurement for financial reporting purposes, including certain investments. This Statement also establishes required fair value disclosures. The Village adopted this Statement for its February 28, 2018 financial statements.

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 68. The implementation of this Statement requires the Village to record those assets accumulated in the Village's General Fund instead of in the Village's Agency Fund, as well as recording the total pension liability on the Village-wide financial statements. See Note 14 for the financial statement impact of the implementation of this Statement. The Village adopted this Statement for its February 28, 2018 financial statements.

## **2. Explanation of certain differences between fund financial statements and Village-wide financial statements**

Due to the differences in the measurement focus and basis of accounting used in the fund financial statements and the Village-wide financial 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 focus of the Statement of Activities, compared with current financial resources focus of the governmental funds.

### **A. Total fund balances of governmental funds vs. net position of governmental activities**

Total fund balances of the Village's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental funds Balance Sheet.

### **B. Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) vs. Statement of Activities**

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) and the Statement of Activities fall into one of four broad categories. The categories are shown below:

#### **1. Long-term revenue/expense differences**

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

#### **2. Capital related differences**

Capital related differences include the difference between proceeds from the sale of capital assets reported on fund financial 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 financial statements and depreciation expense on those items as recorded in the Statement of Activities.

#### **3. Long-term debt transaction differences**

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund financial statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

#### **4. Pension and LOSAP differences**

Pension differences occur as a result of changes in the Village's proportion of the collective net pension liability and differences between the Village's contributions and its proportionate share of the total contributions to the pension systems. Differences also occur as a result of changes in the LOSAP total pension liability and related deferred inflows and outflows of resources.

### **3. Stewardship, compliance and accountability**

#### **A. Budgetary data**

##### **1. Budget policies**

- a. No later than December 20<sup>th</sup>, the Village Treasurer submits a tentative budget to the Village Board of Trustees for the fiscal year commencing the following March 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- b. After public hearings are conducted to obtain taxpayer comments, no later than February 1, the Village Board of Trustees adopts the budget.
- c. All modifications of the budget must be approved by the Village Board of Trustees.

##### **2. Budget basis of accounting**

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

##### **Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriation, is employed in the governmental funds. Appropriations for all governmental funds lapse at year-end. However, encumbrances reserved against fund balances are re-appropriated in the ensuing year. Encumbrances are reported as assigned fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

### **4. Cash and cash equivalents - custodial credit, concentration of credit, and interest rate risks**

The Village's investment policies are governed by State statutes. In addition, the Village has its own written investment policy. Village monies must be deposited in Federal Deposit Insurance Corporation ("FDIC") insured commercial banks or trust companies located within the State. The Village Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit at 105 percent of all deposits not covered by Federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the Federal government. Underlying securities must have a market value of at least 105 percent of the cost of the repurchase agreement.

For purposes of reporting cash flow, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity.

Custodial credit risk - deposits/investments: Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Village does not participate in a multi-municipal cooperation investment pool.

GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either:

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

Deposits and investments at year-end were entirely covered by Federal depository insurance or by collateral held by the Village's custodial banks in the Village's name. The Village's deposits at year-end consisted of:

Fund	Bank Balance	Carrying Amount	
General Fund	\$ 5,038,553	\$ 4,948,058	Insured (FDIC)/Collateralized
Sewer Fund	263,593	262,108	Insured (FDIC)
Capital Projects Fund	132,770	132,770	Insured (FDIC)
Agency Funds	316,808	207,732	Insured (FDIC)
	<u>\$ 5,751,724</u>	<u>\$ 5,550,668</u>	

Credit risk: State law limits investments to those authorized by State statutes. The Village has a written investment policy.

Interest-rate risk: Interest-rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. Accordingly, such investments would have to be held to maturity to avoid potential loss.

Concentration of credit risk: Credit risk can arise as a result of failure to adequately diversify investments. Concentration risk disclosure is required for positions of 5 percent or more in securities of a single issuer.

As of February 28, 2018, the Village did not have any investments subject to credit risk, interest-rate risk, or concentration of credit risk.

## 5. Receivables

### A. Accounts and taxes receivable

As of February 28, 2018, there was \$66,320 and \$96,534 in general accounts receivable and taxes receivable outstanding, respectively. The majority of the balances outstanding pertain to sewer fees owed to the Village.

**6. Interfund balances and activity**

Interfund receivable and payable balances as of February 28, 2018 primarily represent monies reimbursed subsequent to year-end. Interfund revenues and expenditures primarily represent budgeted operating and capital expenditures, as well as for the debt service payments. Balances at year-end are stated as follows:

	Interfund		Interfund	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 512,469	\$ 14,333	\$ -	\$ 843,305
Sewer Fund	7,782	289,580	444,023	-
Capital Projects Fund	102,173	234,943	399,282	-
Agency Funds	18,859	102,427	-	-
Totals	<u>\$ 641,283</u>	<u>\$ 641,283</u>	<u>\$ 843,305</u>	<u>\$ 843,305</u>

**7. Capital assets**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 1,655,294	\$ -	\$ -	\$ 1,655,294
Total non-depreciable assets	<u>1,655,294</u>	<u>-</u>	<u>-</u>	<u>1,655,294</u>
Capital assets that are depreciated:				
Land improvements	488,337	-	-	488,337
Buildings and building improvements	15,317,717	14,392	-	15,332,109
Machinery and equipment	2,108,841	403,766	-	2,512,607
Vehicles	6,326,896	310,272	-	6,637,168
Infrastructure	5,585,788	5,431,485	-	11,017,273
Total depreciable assets	<u>29,827,579</u>	<u>6,159,915</u>	<u>-</u>	<u>35,987,494</u>
Less accumulated depreciation:				
Land improvements	415,602	8,582	-	424,184
Buildings and building improvements	3,919,653	336,672	-	4,256,325
Machinery and equipment	1,301,020	194,536	-	1,495,556
Vehicles	5,155,471	286,181	-	5,441,652
Infrastructure	1,638,657	527,571	-	2,166,228
Total accumulated depreciation	<u>12,430,403</u>	<u>1,353,542</u>	<u>-</u>	<u>13,783,945</u>
Total capital assets, net	<u>\$ 19,052,470</u>	<u>\$ 4,806,373</u>	<u>\$ -</u>	<u>\$ 23,858,843</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 168,392
Public safety	898,163
Transportation	156,509
Culture and recreation	60,338
Home and community services	<u>70,140</u>
	<u>\$ 1,353,542</u>

## 8. Long-term debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds payable	\$ 3,090,000	\$ -	\$ 600,000	\$ 2,490,000	\$ 620,000
Premium on bonds payable	69,502	-	13,900	55,602	13,900
Bonds payable, net	3,159,502	-	613,900	2,545,602	633,900
Environmental Facilities					
Corporation ("EFC") note payable	1,789,657	5,208,989	1,789,657	5,208,989	-
Bond anticipation note payable	80,000	-	80,000	-	-
Net pension liability	3,573,585	1,458,022	2,659,684	2,371,923	-
Due to employees' retirement system	658,631	-	202,881	455,750	219,111
Other post-employment benefits	6,643,425	1,177,456	283,556	7,537,325	-
Compensated absences	2,582,704	222,589	156,630	2,648,663	1,038,224
Total long-term liabilities	<u>\$18,487,504</u>	<u>\$ 8,067,056</u>	<u>\$ 5,786,308</u>	<u>\$20,768,252</u>	<u>\$ 1,891,235</u>

General obligation bonds - the Village borrows money in order to acquire land or equipment or to construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government.

The following is a summary of bonds payable:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding At 2/28/2018
Sewer plant serial bonds	7/28/2005	10/1/2034	2.059 - 4.129%	\$ 895,000
Public improvement serial bonds	8/15/2008	8/15/2018	3.000 - 3.750%	245,000
Refunding serial bonds	5/15/2015	5/15/2021	2.000 - 4.000%	<u>1,350,000</u>
				<u>\$ 2,490,000</u>

The following table summarizes the Village's future bonded debt service requirements:

Year Ended February 28,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 620,000	\$ 50,320	\$ 670,320
2020	385,000	34,956	419,956
2021	390,000	27,272	417,272
2022	400,000	19,413	419,413
2023	50,000	14,933	64,933
2024-2028	255,000	59,328	314,328
2029-2033	275,000	31,030	306,030
2034-2035	115,000	3,901	118,901
	<u>\$ 2,490,000</u>	<u>\$ 241,153</u>	<u>\$ 2,731,153</u>

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

Interest paid	\$ 97,926
Less interest accrued in the prior year	(29,816)
Plus interest accrued in the current year	25,042
Amortization of premiums and deferred charges	(6,896)
Interest paid on NYSERS pension liability	<u>67,719</u>
Interest expense	<u>\$ 153,975</u>

New York State Environmental Facilities Corporation ("EFC") note payable - In 2011, the Village was approved for financing from the EFC in the amount of \$9,030,000. The Village can draw from this financing after incurring expenses related to the improvements of the Wastewater Treatment Plant. The note consists of two components: interest bearing and non-interest bearing principal amounts. The Village can draw from a maximum of \$3,620,500 without incurring interest expense and can also draw a maximum of \$5,409,500 which bears interest at a rate of 0.31%. The original maturity date of this note was September 22, 2014 however during fiscal 2015, the Village amended their agreement with EFC to extend the final maturity until September 22, 2017. During the year ended February 28, 2018, the outstanding amount on this note was fully repaid.

In 2018, the Village was approved for financing from EFC in the amount of \$6,228,300. The financing has a current maturity date of March 20, 2020, but the Village has the option to extend the maturity by thirty years at that time. The first principal payment is due on May 11, 2019. As of February 28, 2018, the outstanding amount on this note was \$5,208,989.

Other long-term debt - in addition to the above long-term debt, the Village had the following non-current liabilities:

Due to employees' retirement system - represents the amortized portion of prior service costs related to police officers and fire protection retirement costs.

Other post-employment benefits - represents the amortized portion of the annual required contribution for the Village's cost of health benefits for retirees.

Compensated absences - represents the value of earned and unused portion of the liability for compensated absences.

The liabilities for due to employees' retirement system and compensated absences are liquidated through the General Fund.

## 9. **Pension plans**

### Plan description

The Incorporated Village of Northport participates in the New York State and Local Employees' Retirement System ("NYSERS") and the New York State and Local Police and Fire Retirement System ("NYSPFRS") which are collectively referred to as New York State and Local Retirement System (the "System"). These are cost-sharing multiple-employer defined benefit retirement systems. The net position of the System is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York (the "Comptroller") serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law ("RSSL"). Once a public employer elects to participate in the System, 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 System is included in the State's financial report as a pension trust fund. That report may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

### Benefits provided

The System provides retirement benefits as well as death and disability benefits.

#### *Tiers 1 and 2*

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

#### *Tiers 3, 4, and 5*

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

#### *Tier 6*

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

#### *Special Plans*

The 25-Year Plans allow a retirement after 25 years of service with a benefit of one-half of final average salary, and the 20-Year Plans allow a retirement after 20 years of service with a benefit of one-half of final average salary. These plans are available to certain PFRS members, sheriffs, and correction officers.

#### *Ordinary Disability Benefits*

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

### *Accidental Disability Benefits*

For all eligible Tier 1 and Tier 2 ERS and PFRS members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any Workers' Compensation benefits received. The benefit for eligible Tier 3, 4, 5 and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

### *Ordinary Death Benefits*

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

### *Post-Retirement Benefit Increases*

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for ten years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) NYSERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

### Contributions

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 ("NYSERS") or January 9, 2010 ("NYSPFRS") who generally contribute 3 percent of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the RSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

<u>Year</u>	<u>NYSERS</u>	<u>NYSPFRS</u>
2018	\$ 451,739	\$ 763,745
2017	409,197	697,483
2016	428,870	677,950

Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions

At February 28, 2018, the Village reported a liability of \$2,371,923 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2016. Update procedures were used to roll forward the pension liability to March 31, 2017. 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 pension plan relative to the projected contributions of all participating members, actuarially determined.

At February 28, 2018, the Village reported the following liabilities for its proportionate shares of the net pension liability for the System:

	<u>NYSERS</u>	<u>NYSPPFRS</u>
Actuarial valuation date	April 1, 2016	April 1, 2016
Net pension liability	\$ 934,800	\$ 1,437,123
Village's portion of the Plans' total net position liability	0.00995%	0.06934%

For the year ended February 28, 2018, the Village recognized pension expense of \$1,458,022. At February 28, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources - NYSERS</u>	<u>Deferred Outflows of Resources - NYSPPFRS</u>	<u>Deferred Inflows of Resources - NYSERS</u>	<u>Deferred Inflows of Resources - NYSPPFRS</u>
Differences between expected experience and actual experience	\$ 23,425	\$ 188,526	\$ 141,955	\$ 248,303
Changes of assumptions	319,362	708,010	-	-
Net difference between projected and actual earnings on pension plan investments	186,718	214,632	-	-
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	35,784	263,012	-	-
Employer contributions made subsequent to the measurement date	451,739	763,745	-	-
Total	<u>\$ 1,017,028</u>	<u>\$ 2,137,925</u>	<u>\$ 141,955</u>	<u>\$ 248,303</u>

Deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 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>NYSERS</u>	<u>NYSPPFRS</u>
<u>For the year ended:</u>		
2019	\$ 188,313	\$ 350,813
2020	188,313	350,813
2021	167,275	334,794
2022	(120,567)	33,972
2023	-	55,485

### Actuarial assumptions

The total pension liability at March 31, 2017 was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017. The actuarial valuation used the following actuarial assumptions:

	<u>NYSERS</u>	<u>NYSPPFRS</u>
Measurement date	March 31, 2017	March 31, 2017
Actuarial valuation date	April 1, 2016	April 1, 2016
Interest rate	7.00%	7.00%
Salary scale	3.80%	4.50%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	April 1, 2010 - March 31, 2015 System's Experience
Inflation rate	2.50%	2.50%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System 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 in accordance with Actuarial Standard of Practice ("ASOP") No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2017 are summarized below:

NYSERS and NYSPFRS		
Asset Type	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return strategies	2.00%	4.00%
Bonds and mortgages	17.00%	1.31%
Cash	1.00%	(0.25%)
Domestic equity	36.00%	4.55%
Inflation-indexed bonds	4.00%	1.50%
International equity	14.00%	6.35%
Opportunistic portfolio	3.00%	5.89%
Private equity	10.00%	7.75%
Real assets	3.00%	5.54%
Real estate	10.00%	5.80%
	100.00%	

#### Discount rate

The discount rate used to calculate the total pension liability was 7.00%. 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. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability

#### 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 7.00%, as well as what the Village's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

<u>NYSERS</u>	1% Decrease (6.00%)	Current assumption (7.00%)	1% Increase (8.00%)
Employer's proportionate share of the net pension liability (asset)	\$ 2,985,567	\$ 934,800	\$ (799,119)
<u>NYSPFRS</u>	1% Decrease (6.00%)	Current assumption (7.00%)	1% Increase (8.00%)
Employer's proportionate share of the net pension liability (asset)	\$ 4,074,162	\$ 1,437,123	\$ (774,706)

#### Pension plan fiduciary net position

The components of the current-year net pension liability of the employers as of March 31, 2017, were as follows:

	(Dollars in Thousands)		
	NYSERS	NYSPFRS	Total
Employers' total pension liability	\$ 177,400,586	\$ 31,670,483	\$ 209,071,069
Plan net position	<u>(168,004,363)</u>	<u>(29,597,830)</u>	<u>(197,602,193)</u>
Employers' net pension liability	<u>\$ 9,396,223</u>	<u>\$ 2,072,653</u>	<u>\$ 11,468,876</u>
Ratio of plan net position to the Employers' total pension liability	94.70%	93.46%	94.51%

In accordance with certain labor agreements with the Village and its police officers and fire protection personnel, the Village is required to provide certain benefits to these personnel for past service costs under Section 384E of the NYSPFRS plan. The total past service costs determined under Section 384E was \$1,852,093. The Village is paying for the program over a ten-year period at 8% interest per annum. The first installment was paid in December 2010, for the Village's 2011 fiscal year and the final installment is due in December 2019.

The maturity schedule for this debt is as follows:

Year ended <u>February 28,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 219,111	\$ 36,459	\$ 255,570
2020	<u>236,639</u>	<u>18,931</u>	<u>255,570</u>
	<u>\$ 455,750</u>	<u>\$ 55,390</u>	<u>\$ 511,140</u>

#### 10. Post-employment benefits

##### Plan description and annual other post-employment benefits ("OPEB") cost

The Village provides post-employment (health insurance, life insurance, etc.) coverage to retired employees and their survivors in accordance with the provisions of various 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. The benefit levels, employee contributions and employer contributions are governed by the Village's contractual agreements. New York State law does not allow for the establishment of an OPEB trust, and as such there are no assets attributable to the Plan.

The Village has implemented GASB Standards for Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions. This required the Village to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

Currently, 38 retired employees receive health benefits from the Village. The Village pays 100% of retiree cost and 50% of the incremental spouse cost for current PBA retirees. Other current retirees and disabled employees receive varying Village explicit subsidies as indicated by the Village. The Village pays 100% of retiree health care coverage for future PBA retirees and spouses, 50% for future non-PBA retirees cost of coverage and 35% of the incremental spouse cost.

The Village recognizes the cost of providing health insurance 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 \$283,556 for its share of insurance premiums for currently enrolled retirees.

The Village has obtained an actuarial valuation report as of March 1, 2014 using the alternative measurement method (permitted by GASB) for employers with plans that have fewer than 100 total members. As of the date of that report, the total liability for other post-employment benefits was \$14,775,622.

The Village's annual OPEB cost (expense) for its plan is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Village's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Village's net OPEB obligation:

	For the Year Ended February 28, 2018
Annual required contribution	\$ 1,111,797
Interest on net OPEB obligation	230,707
Adjustment to annual required contribution	<u>(165,048)</u>
Annual OPEB cost	1,177,456
Contributions made	<u>(283,556)</u>
Increase in net OPEB obligation	893,900
Net OPEB obligation, beginning of year	<u>6,643,425</u>
Net OPEB obligation, end of year	<u><u>\$ 7,537,325</u></u>

Funded status and funding progress

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
02/28/18	\$ 1,177,456	24.1%	\$ 7,537,325
02/28/17	1,142,519	23.0%	6,643,425
02/29/16	1,112,873	21.9%	5,763,658

As of March 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$14,775,622 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (“UAAL”) of \$14,775,622. The covered payroll (annual payroll of active employees covered by the plan) was \$3,528,807 and the ratio of the UAAL to the covered payroll was 418.7%. Actuarial valuations of an ongoing plan involve 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 schedule of funding progress, presented as required supplementary information following the notes to financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### 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 March 1, 2014 actuarial valuation, the projected unit credit with linear proration to decrement cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer’s own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.0% initially, reduced by decrements of 0.50% to an ultimate rate of 5.0% after 10 years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 30 year period. The UAAL is being amortized as a level dollar amortization method over a period of 30 years. The remaining amortization period at February 28, 2018 was 21 years.

#### **11. Deferred compensation plan**

Employees of the Village may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with respect to service for State and Local Governments). The Village does not contribute to the plan and maintains no assets or incurs any liabilities in connection to the plan. The plan, available to all employees, permits them to defer a portion of their salary until future years, usually after retirement. The amount of deferred compensation payments contributed by Village employees for the year ended February 28, 2018 was \$482,235.

#### **12. Length of Service Award Program (“LOSAP” or “Program”)**

##### Program description

The Village sponsors a defined benefit LOSAP effective January 1, 1992 for active volunteer firefighter members of the Village. The Program provides municipally-funded deferred compensation to volunteer firefighters to facilitate the recruitment and retention of active volunteer firefighters. The Village is one of ten municipalities who is a co-sponsor of this plan.

### Funding policy

The Program was established pursuant to Article 11-A of the New York State General Municipal Law. The Program is non-contributory. The Village is required to contribute the total amount sufficient to cover the normal cost of the plan.

### Participation, vesting and service credit

In a defined benefit LOSAP, participating volunteer begin to be paid a Service Award upon attainment of the Program's Entitlement Age. An eligible Program Participant is defined by the Program Sponsor to be an active volunteer firefighter who is at least 18 years of age, has completed probation, and has earned one year of Service Award Program Service Credit. The amount of the service award paid to a participant is based upon the number of years of Service Credit the volunteer earned under the Program for performing active volunteer firefighter activities.

Participants acquire a non-forfeitable right to be paid a Service Award after earning credit for five years of service or upon attaining the Program's Entitlement Age while an active volunteer. The Program's Entitlement Age is 62. An active volunteer firefighter earns a year of Service Award Program Service Credit for each calendar year after the establishment of the Program in which they accumulate fifty (50) points. Points are granted for the performance of certain firefighter's activities in point values. A participant may also receive Service Award Program Service Credit for five (5) years of active volunteer firefighting service rendered prior to the establishment of the Program as an active volunteer firefighter member.

### Benefits

A Participant's Service Award benefit is paid as a ten year certain and continuous monthly payment life annuity. Currently, there are no other forms of payment of a volunteer's earned service award under the Program. The amount payable each month equals \$20 multiplied by the total number of years of Service Award Program Service Credit earned by the Participant under the point system. The maximum number of years of service credit a Participant may earn is 40 years. Except in the case of Pre-Entitlement Age death or total and permanent disablement, a Participant's Service Award will not be paid until he or she attains Entitlement Age. Volunteers who continue to be active after attaining the Entitlement Age and beginning to be paid a Service Award continue to have the opportunity to earn Program credit and to thereby increase their Service Award payments. The Pre-Entitlement Age death and disability benefit is equal to the actuarial value of the Participant's earned service award at the time of death or disablement (if the participant was an active volunteer firefighter member at death, the minimum death benefit payable is the present value of the accrued benefits). The Program does not provide extra line-of-duty death or disability benefits.

### Participants covered by the benefit terms

At the December 31, 2017 measurement date, the following participants were covered by the benefit terms:

Inactive participants currently receiving benefit payments	49
Inactive participants entitled to but not yet receiving benefit payments	27
Active participants	<u>72</u>
Total	<u><u>148</u></u>

### Contributions

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

### Trust assets

Although assets have been accumulated in an irrevocable trust such that the 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 73.

### Measurement of Total Pension Liability

The total pension liability at the December 31, 2017 measurement date was determined using an actuarial valuation as of that date.

### Actuarial assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Salary Scale:	N/A

Mortality rates were based on the RP-2014 Mortality Table without projection for mortality improvement.

### Discount rate

The discount rate used to measure the total pension liability was 3.16%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017. 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.

### Changes in the Total Pension Discount Rate

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 3.71% for the December 31, 2016 measurement date, and 3.16% for the December 31, 2017 measurement date.

Changes in the Total Pension Liability

Balance as of December 31, 2016 measurement date	\$ 4,865,255
Service cost	133,401
Interest	182,711
Changes of assumptions or other inputs	389,315
Differences between expected and actual experience	18,324
Benefit payments	<u>(147,638)</u>
Balance as of December 31, 2017 measurement date	<u>\$ 5,441,368</u>

Sensitivity of the total LOSAP pension liability to changes in the discount rate

The following presents the total LOSAP pension liability of the Village as of the December 31, 2017 measurement date, calculated using the discount rate of 3.16 percent, as well as what the Village's total LOSAP pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.16 percent) or 1-percentage point higher (4.16 percent) than the current rate:

	<u>1% decrease (2.16%)</u>	<u>Current discount rate (3.16%)</u>	<u>1% increase (4.16%)</u>
Total LOSAP pension liability	\$ 6,266,723	\$ 5,441,368	\$ 4,762,648

Pension expense and deferred outflows of resources and deferred inflows of resources related to LOSAP pensions

For the year ended December 31, 2017, the Village recognized pension expense of \$390,369. At December 31, 2017, the Village reported deferred outflows of resources related to LOSAP pensions from the following sources:

	<u>Deferred outflows of resources</u>
Differences between expected and actual experience	\$ 16,265
Changes of assumptions or other inputs	345,572
Benefit payments and administrative expenses subsequent to the measurement date	<u>49,908</u>
Totals	<u>\$ 411,745</u>

The Village reported \$49,908 as deferred outflows of resources related to LOSAP pensions resulting from Village transactions subsequent to the measurement date will be recognized as a reduction of the total LOSAP pension liability in the year ended February 28, 2019.

Other amounts reported as deferred outflows of resources related to LOSAP pensions will be recognized in pension expense as follows:

<u>Year ended February 28:</u>	
2019	\$ 45,802
2020	45,802
2021	45,802
2022	45,802
2023	45,802
Thereafter	132,827

**13. Commitments and contingencies**

A. Risk management and litigation

In common with other municipalities, the Village receives numerous notices of claims. Although the eventual outcome of the claims cannot presently be determined, it is the opinion of the Village and Village Attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the Village has not asserted a substantial and adequate defense, nor which, if determined against the Village, would have a material adverse effect on the financial condition of the Village, in view of the Village's ability to fund the same through use of appropriate funding mechanisms provided by the Local Finance Law. The Village is insured for workers' compensation insurance and disability insurance.

B. Government grants

The Village receives grants which are subject to audit by agencies of New York State and local governments. Such audits may result in disallowances and a request for a return of funds. Based on past experience, the Village Administration believes disallowances, if any, would be immaterial.

C. Property tax cap

In June 2011, the New York State Legislature enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions. For fiscal years beginning in 2012-2013 through at least June 15, 2020, growth in the property tax levy (the total amount to be raised through property taxes charged on a municipality's taxable assessed value of property) will be capped at 2% or the rate of inflation, whichever is less, with some exceptions. The New York State Comptroller recently set the allowable levy growth factor for local governments for fiscal years beginning June 1, 2018, at 1.02% (before exemptions). Local governments can exceed the tax levy limit by a 60% vote of the governing body, or by local law.

**14. Prior period adjustment**

The Village's financial statements for the year ended February 28, 2017 have been restated as of March 1, 2017 to give effect to the following:

	<u>General Fund Fund Balance</u>	<u>Governmental Activities Net Position</u>
Balance as of March 1, 2017, as reported	\$ 5,885,662	\$ 10,612,228
GASB Statement No. 73 implementation:		
Add: Service award program assets	1,635,901	1,635,901
Less: Total pension liability - service award program	<u>-</u>	<u>(4,865,255)</u>
Balance as of March 1, 2017, as restated	<u>\$ 7,521,563</u>	<u>\$ 7,382,874</u>

**15. Future accounting standards**

The Village has adopted all current statements of GASB that are applicable. The following are changes in accounting standards that will be implemented when required:

GASB has issued Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions, which establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The Village is currently studying the Statement and plans on adoption when required, which will be for the year ending February 28, 2019.

GASB has issued Statement No. 82, Pension Issues - an amendment of GASB Statement No. 67, No. 68, and No. 73, which addresses the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from actuarial standards, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Village is currently studying the Statement and plans on adoption when required, which will be for the year ending February 28, 2019.

GASB has issued Statement No. 83, Certain Asset Retirement Obligations, which addresses the accounting and financial reporting for certain asset retirement obligations ("AROs"). The Village is currently studying the Statement and plans on adoption when required, which will be for the year ending February 28, 2020.

GASB has issued Statement No. 84, Fiduciary Activities, which establishes criteria for identifying fiduciary activities of all state and local governments. The focus is on whether the government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. The Village is currently studying the Statement and plans on adoption when required, which will be for the year ending February 28, 2020.

GASB has issued Statement No. 85, Omnibus 2017, which addresses practice issues that have been identified during implementation and application of certain GASB statements, including: blending component units, goodwill, fair value measurement, and post-employment benefits. The Village is currently studying the Statement and plans on adoption when required, which will be for the year ending February 28, 2019.

GASB has issued Statement No. 86, Certain Debt Extinguishment Issues, which addresses the reporting for in-substance defeasance of debt. The Village is currently studying the Statement and plans on adoption when required, which will be for the year ending February 28, 2019.

GASB has issued Statement No. 87, Leases, which addresses the reporting for leases and establishing criteria for the different classifications of leases. The Village is currently studying the Statement and plans on adoption when required, which will be for the year ending February 28, 2021.

GASB has issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, which addresses enhancing the disclosures in the notes to financial statements related to debt. The Village is currently studying the Statement and plans on adoption when required, which will be for the year ending February 28, 2020.

**16. Subsequent events**

The Village has evaluated subsequent events occurring after the Statement of Net Position through the date of June 1, 2018 which is the date the financial statements were available to be issued. Based on this evaluation, the Village has determined that no subsequent events have occurred, which require disclosure in the financial statements.

**INCORPORATED VILLAGE OF NORTHPORT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED FEBRUARY 28, 2018**

	Adopted Budget	Revised Budget	Actual	Year-End Encumbrances	Variance
<b>REVENUES</b>					
Real property taxes	\$ 12,018,301	\$ 12,018,301	\$ 12,018,301		\$ -
Other tax items	-	-	38,009		38,009
Non-property tax items	874,412	874,412	981,501		107,089
Departmental income	294,300	294,300	304,375		10,075
Intergovernmental revenue	1,568,726	1,568,726	1,579,235		10,509
Fines and forfeitures	100,000	80,000	246,848		166,848
Use of money and property	40,100	40,000	88,989		48,989
Licenses and permits	6,850	6,850	6,225		(625)
State and local aid	511,010	696,157	432,134		(264,023)
Sale of property and compensation for loss	22,100	22,100	81,308		59,208
Miscellaneous	1,000	1,000	33,061		32,061
<b>Total revenues</b>	<b>15,436,799</b>	<b>15,601,846</b>	<b>15,809,986</b>		<b>208,140</b>
<b>EXPENDITURES</b>					
Current -					
General government	1,952,252	1,819,118	1,734,685	\$ 4,053	80,380
Public safety	5,585,406	5,830,715	5,745,826	90,768	(5,879)
Health	2,000	2,000	574	-	1,426
Transportation	1,229,457	1,641,891	1,581,216	7,670	53,005
Economic opportunity and assistance	2,000	9,600	8,820	-	780
Culture and recreation	392,959	462,354	454,087	298	7,969
Home and community services	930,305	940,105	897,241	-	42,864
Employee benefits	4,122,140	4,212,932	4,016,398	-	196,534
Debt service -					
Principal	630,000	630,000	630,000	-	-
Interest	54,153	54,153	54,153	-	-
<b>Total expenditures</b>	<b>14,900,672</b>	<b>15,602,868</b>	<b>15,123,000</b>	<b>\$ 102,789</b>	<b>377,079</b>
Excess of revenues over expenditures	536,127	(1,022)	686,986		585,219
<b>OTHER FINANCING USES</b>					
Interfund transfers out	(761,127)	(662,332)	(843,305)		(180,973)
<b>Total other financing uses</b>	<b>(761,127)</b>	<b>(662,332)</b>	<b>(843,305)</b>		<b>(180,973)</b>
Change in fund balance	(225,000)	(663,354)	(156,319)		<u>\$ 404,246</u>
Fund balance, beginning of year	7,521,563	7,521,563	7,521,563		
Fund balance, end of year	<u>\$ 7,296,563</u>	<u>\$ 6,858,209</u>	<u>\$ 7,365,244</u>		

**Note to Required Supplementary Information**

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 NORTHPORT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**SEWER FUND**  
**FOR THE YEAR ENDED FEBRUARY 28, 2018**

	<b>Adopted Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Year-End Encumbrances</b>	<b>Variance</b>
<b>REVENUES</b>					
Departmental income	\$ 445,916	\$ 445,916	\$ 432,245		\$ (13,671)
State and local aid	126,851	126,851	1,626,851		1,500,000
Total revenues	572,767	572,767	2,059,096		1,486,329
<b>EXPENDITURES</b>					
Current -					
Home and community services	852,005	918,409	844,086	\$ -	74,323
Employee benefits	25,000	25,000	24,883	-	117
Debt service -					
Principal	125,000	125,000	1,839,657	-	(1,714,657)
Interest	70,598	70,598	43,773	-	26,825
Total expenditures	1,072,603	1,139,007	2,752,399	\$ -	(1,613,392)
Deficiency of revenues under expenditures	(499,836)	(566,240)	(693,303)		(127,063)
<b>OTHER FINANCING SOURCES</b>					
Interfund transfers in	420,077	420,077	444,023		23,946
Total other financing sources	420,077	420,077	444,023		23,946
Change in fund balance	(79,759)	(146,163)	(249,280)		\$ (103,117)
Fund balance, beginning of year	249,280	249,280	249,280		
Fund balance, end of year	\$ 169,521	\$ 103,117	\$ -		

**Note to Required Supplementary Information**

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

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**INCORPORATED VILLAGE OF NORTHPORT  
SCHEDULE OF CHANGES IN THE VILLAGE'S TOTAL PENSION LIABILITY  
SERVICE AWARD PROGRAM  
LAST FISCAL YEAR\***

Measurement date as of December 31, 2017

Total pension liability:

Service cost	\$ 133,401
Interest	182,711
Changes of assumptions or other inputs	389,315
Differences between expected and actual experience	18,324
Benefit payments	<u>(147,638)</u>
Net change in total pension liability	576,113
Total pension liability, beginning of year	<u>4,865,255</u>
Total pension liability, end of year	<u><u>\$ 5,441,368</u></u>

Covered employee payroll N/A

Total pension 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:

December 31, 2016: 3.71%  
December 31, 2017: 3.16%

*Trust assets:* There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 73 to pay related benefits. The trust assets are not legally protected from creditors to the Village.

*\*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

**INCORPORATED VILLAGE OF NORTHPORT  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
FOR THE YEAR ENDED FEBRUARY 28, 2018**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL)- Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
3/1/2014	\$ -	\$ 14,775,622	\$ 14,775,622	0.0%	\$ 3,528,807	418.7%
3/1/2013	-	12,562,715	12,562,715	0.0%	4,038,881	311.0%
3/1/2012	-	12,705,354	12,705,354	0.0%	3,921,244	324.0%

**INCORPORATED VILLAGE OF NORTHPORT**  
**SCHEDULE OF VILLAGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NYSERS**  
**LAST TEN FISCAL YEARS\***  
**(Dollar amounts in thousands)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>**2014</u>	<u>**2013</u>	<u>**2012</u>	<u>**2011</u>	<u>**2010</u>	<u>**2009</u>
Village's proportionate share of the net pension liability	0.00995%	0.00974%	0.00942%	0.00942%	N/A	N/A	N/A	N/A	N/A	N/A
Village's proportionate share of the net pension liability	\$ 935	\$ 1,563	\$ 318	\$ 425	N/A	N/A	N/A	N/A	N/A	N/A
Village's covered payroll	\$ 2,294	\$ 2,207	\$ 2,114	\$ 2,098	N/A	N/A	N/A	N/A	N/A	N/A
Village's proportionate share of the net pension liability as a percentage of covered payroll	40.75%	70.82%	15.04%	20.26%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.68%	97.95%	97.15%	N/A	N/A	N/A	N/A	N/A	N/A

\* The amounts presented for each fiscal year were determined (bi-annually) as of March 31st.

Not Available = N/A

**\*\*Note to Required Supplementary Information**

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**INCORPORATED VILLAGE OF NORTHPORT**  
**SCHEDULE OF VILLAGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NYSPFRS**  
**LAST TEN FISCAL YEARS\***  
**(Dollar amounts in thousands)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>**2014</u>	<u>**2013</u>	<u>**2012</u>	<u>**2011</u>	<u>**2010</u>	<u>**2009</u>
Village's proportionate share of the net pension liability	0.06934%	0.06790%	0.06263%	0.06263%	N/A	N/A	N/A	N/A	N/A	N/A
Village's proportionate share of the net pension liability	\$ 1,437	\$ 2,010	\$ 172	\$ 261	N/A	N/A	N/A	N/A	N/A	N/A
Village's covered payroll	\$ 4,525	\$ 4,052	\$ 3,822	\$ 3,702	N/A	N/A	N/A	N/A	N/A	N/A
Village's proportionate share of the net pension liability as a percentage of covered payroll	31.76%	49.61%	4.50%	7.05%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	93.46%	90.24%	99.03%	98.48%	N/A	N/A	N/A	N/A	N/A	N/A

\* The amounts presented for each fiscal year were determined (bi-annually) as of March 31st.

Not Available = N/A

**\*\*Note to Required Supplementary Information**

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**INCORPORATED VILLAGE OF NORTHPORT**  
**SCHEDULE OF VILLAGE PENSION CONTRIBUTIONS - NYSERS**  
**LAST TEN FISCAL YEARS\***  
**(Dollar amounts in thousands)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>**2013</u>	<u>**2012</u>	<u>**2011</u>	<u>**2010</u>	<u>**2009</u>
Contractually required contribution	\$ 451,739	\$ 409,197	\$ 428,870	\$ 479,451	\$ 525,954	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	<u>451,739</u>	<u>409,197</u>	<u>428,870</u>	<u>479,451</u>	<u>525,954</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>				
Village's covered-employee payroll	\$ 2,294,081	\$ 2,206,794	\$ 2,114,464	\$ 2,098,415	\$ 2,049,837	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	19.69%	18.54%	20.28%	22.85%	25.66%	N/A	N/A	N/A	N/A	N/A

Not Available = N/A

**\*\*Note to Required Supplementary Information**

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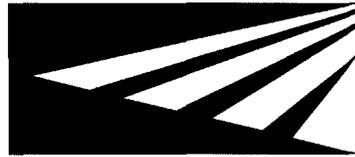
**INCORPORATED VILLAGE OF NORTHPORT**  
**SCHEDULE OF VILLAGE PENSION CONTRIBUTIONS - NYSPFRS**  
**LAST TEN FISCAL YEARS\***  
**(Dollar amounts in thousands)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>**2013</u>	<u>**2012</u>	<u>**2011</u>	<u>**2010</u>	<u>**2009</u>
Contractually required contribution	\$ 763,745	\$ 697,483	\$ 677,950	\$ 690,401	\$ 686,137	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	<u>763,745</u>	<u>697,483</u>	<u>677,950</u>	<u>690,401</u>	<u>686,137</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>				
Village's covered-employee payroll	\$ 4,524,711	\$ 4,051,623	\$ 3,821,600	\$ 3,701,814	\$ 3,432,163	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	16.88%	17.21%	17.74%	18.65%	19.99%	N/A	N/A	N/A	N/A	N/A

Not Available = N/A

**\*\*Note to Required Supplementary Information**

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.



**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

**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 of the  
Incorporated Village of Northport:

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 Northport (the "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 financial statements, and have issued our report thereon dated June 1, 2018.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

# NawrockiSmith

## ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## ***Purpose of this Report***

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

Melville, New York  
June 1, 2018

*Nawrocki Smith LLP*