

INCORPORATED VILLAGE OF BRIGHTWATERS
BRIGHTWATERS, NEW YORK

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 2014

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SKINNON and FABER

Certified Public Accountants, P.C.

INDEPENDENT AUDITORS' REPORT

To the Mayor and Board of Trustees
Incorporated Village of Brightwaters
Brightwaters, New York

We have audited the accompanying financial statements of the governmental activities and each major fund of the Incorporated Village of Brightwaters as of and for the year ended May 31, 2014, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Incorporated Village of Brightwaters management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 disclosure in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Incorporated Village of Brightwaters, as of May 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

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

Skinnon and Faber, CPAs, P.C.

Skinnon and Faber, CPA's, P.C.

November 13, 2014

INCORPORATED VILLAGE OF BRIGHTWATERS

Management's Discussion and Analysis (Unaudited)

The Board of Trustees of the Incorporated Village of Brightwaters (the Village), would like to offer readers of the Village's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended May 31, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The Statement of Net Position and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements report how Village activities were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail by providing information about the Village's most significant funds. The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by the required supplementary information, which supports the financial statements with a comparison of the Village's General Fund budget for the year, as well as the schedule of funding progress for the retiree health plan.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Net Position

The Village's total net position increased by \$23,429 for the fiscal year ended May 31, 2014. A condensed summary of the Village's Statement of Net Position for the current year is detailed below.

Condensed Statement of Net Position – Governmental Activities

	<u>May 31, 2014</u>	<u>May 31, 2013</u>
Assets		
Current and Other Assets	\$ 466,417	\$ 437,064
Capital Assets (net)	<u>2,320,194</u>	<u>2,423,928</u>
Total Assets	<u>2,786,611</u>	<u>2,860,992</u>
Liabilities		
Liabilities	151,487	386,913
Long-Term Liabilities	<u>811,795</u>	<u>674,179</u>
Total Liabilities	<u>963,282</u>	<u>1,061,092</u>
Net Position		
Net Investment in Capital Assets	2,320,194	2,423,928
Unrestricted (deficit)	<u>(496,865)</u>	<u>(624,028)</u>
Total Net Position	<u>\$ 1,823,329</u>	<u>\$ 1,799,900</u>

Net investment in capital assets is the Village's investment in capital assets, such as infrastructure, building and improvements, equipment and trucks, vehicles, and computers, reduced by accumulated depreciation and associated debt. This figure also includes land, which is not depreciated.

Changes in Net Position

The Statement of Activities reports the results of the current year's operations and the effect on Net Position in the accompanying financial statements. A summary of changes in Net Position from operating results is shown below.

Changes in Net Position from Operating Results – Governmental Activities

	For the Years Ended	
	May 31, 2014	May 31, 2013
Revenues		
Program Revenues:		
Fees, Fines and Charges for Services	\$ 807,273	\$ 906,765
Operating Grants and Contributions	6,637	69,863
Capital Grants and Contributions	143,174	59,136
General Revenues:		
Property Tax Items	1,487,381	1,375,024
Non Property Tax Items	126,125	115,536
Other	122,010	231,479
Total Revenues	<u>2,692,600</u>	<u>2,757,803</u>
Expenses		
Governmental Activities:		
General Government Support	1,124,568	1,181,388
Public Safety	561,160	548,576
Health	57,525	78,736
Transportation	289,450	234,755
Economic Opportunity and Development	26,930	29,277
Culture and Recreation	91,642	91,501
Home and Community Services	517,896	618,167
Total Expenses	<u>2,669,171</u>	<u>2,782,400</u>
Change in Net Position	23,429	(24,597)
Beginning Net Position	<u>1,799,900</u>	<u>1,824,497</u>
Ending Net Position	<u>\$ 1,823,329</u>	<u>\$ 1,799,900</u>

ANALYSIS OF POSITION AND RESULTS OF OPERATION

The Village had an excess of revenue over expenses of \$23,429. This excess resulted in an improvement to the overall financial position of the Village. No significant individual economic factor affected the operating results.

Total revenue decreased by \$65,203 as compared to the previous year. This decrease was due, in large part, to the decrease in Federal Disaster Aid received. During the prior year, Federal Disaster Aid of \$223,227 related to Hurricane Sandy was received, while only \$6,637 was received during the year ended May 31, 2014. There was also a decline in revenue from canal boat fees, as the number of slips rented decreased slightly. These decreases were partially offset by increases in Consolidated Highway Aid received for paving work, a slight increase (5%) in County mortgage tax revenue, and plumbing and inspection fees due to increased renovation and construction activity in the Village.

Total expenses also decreased by \$113,229 as compared to the previous year. Certain expenses, such as street maintenance and central garage personnel costs, were significantly less than the previous year. This was due to the fact that Hurricane Sandy clean-up efforts increased costs for the prior year. The Village also did not undertake any tree planting during the fiscal year. This represented an \$11,550 reduction in expenses compared to the previous year. The Village did, however, experience some rising costs. Specifically, repairs and maintenance for Department of Public Works vehicles increased by \$10,149 due to the aging fleet. In addition, costs for general liability insurance and fire protection both rose.

ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

The General Fund balance increased by \$250,626 to \$193,333. Of this amount, \$188,333 is unassigned. The remaining \$5,000 of fund balance is considered nonspendable, as it relates to prepaid items.

BUDGETARY ANALYSIS

The following variances exist between the original adopted budget and actual results for the year ended May 31, 2014:

Revenues:

- Total actual revenues were \$27,565 higher than budgeted
- Departmental Income was \$33,281 lower than budgeted. This variance was due, in part, to a decrease in the number of boat slips rented.
- Actual revenue from state aid was \$56,945 higher than budgeted. The Village received \$143,174 of reimbursements from the state for paving work that was completed.
- Revenue from miscellaneous local sources was \$23,276 higher than budgeted due to conservative budgeting for this item.

Expenditures:

- Total actual expenditures were \$223,061 less than budgeted.
- Expenditures for transportation were \$169,329 under budget. This was due to a road project that was budgeted for, but has not yet been undertaken.
- Employee benefits costs were \$129,782 less than budgeted. This was largely due to a variance between budgeted and actual amounts for the Village's required contribution to the New York State Retirement System (NYSRS). As a result of stock market performance, the Village's contribution to the NYSRS decreased by 16% or \$15,806. In addition, the Village budgeted conservatively for health insurance costs, which resulted in actual expenditures being significantly less than budgeted.

CAPITAL ASSET ACTIVITY

During the year, the Village spent \$24,259 to acquire a Spaulding diesel asphalt trailer. This will allow the Department of Public Works to fill pot holes without hiring an outside contractor.

INFRASTRUCTURE ASSETS

There were no significant changes in the assessed condition of eligible infrastructure assets.

CURRENTLY KNOWN FACTS, DECISIONS, AND CONDITIONS

The economic conditions of the Village mirror those of the rest of the region. The Village faces increasing costs and shrinking revenues from non-property tax revenue. The administration has been diligent containing expenses without sacrificing services to the residents.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

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

Incorporated Village of Brightwaters
Donna Barnett, Clerk-Treasurer
40 Seneca Drive
Brightwaters, New York 11718

INCORPORATED VILLAGE OF BRIGHTWATERS
Statement of Net Position
May 31, 2014

ASSETS

Cash and Cash Equivalents	\$ 23,851
CLASS Investment Account	289,309
Taxes Receivable	23,634
Sanitation Fees Receivable	9,687
Due from Other Governments	1,174
State and Federal Aid Receivables	107,444
Prepaid Expenses	11,318
Capital Assets (net)	<u>2,320,194</u>
Total Assets	<u>2,786,611</u>

LIABILITIES

Accounts Payable and Accrued Expenses	139,637
Unearned Revenue	11,850
Long-term Liabilities:	
Compensated Absences:	
Due within one year	6,422
Due in more than one year	57,798
Other Post-employment Benefits:	
Due within one year	-
Due in more than one year	<u>747,575</u>
Total Liabilities	<u>963,282</u>

NET POSITION

Net Investment in Capital Assets	2,320,194
Unrestricted (deficit)	<u>(496,865)</u>
Total Net Position	<u>\$ 1,823,329</u>

INCORPORATED VILLAGE OF BRIGHTWATERS
Statement of Activities
For the Year Ended May 31, 2014

Functions/Programs	Expenses	PROGRAM REVENUES			Net (Expense) / Revenue
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government Support	\$ 1,124,568	\$ 44,009	\$ -	\$ -	\$ (1,080,559)
Public Safety	561,160	20,344	-	-	(540,816)
Health	57,525	-	-	-	(57,525)
Transportation	289,450	-	6,637	143,174	(139,639)
Economic Opportunity and Development	26,930	-	-	-	(26,930)
Culture and Recreation	91,642	173,713	-	-	82,071
Home and Community Services	517,896	569,207	-	-	51,311
Total Governmental Activities	\$ 2,669,171	\$ 807,273	\$ 6,637	\$ 143,174	(1,712,087)
GENERAL REVENUES:					
					1,487,381
Real Property Taxes and Related Tax Items					126,125
Non Property Taxes					4,951
Investment Earnings					74,816
State Aid					3,967
Minor Sales and Compensation for Loss					38,276
Other Miscellaneous Revenues					<u>38,276</u>
					1,735,516
					<u>1,735,516</u>
					23,429
					1,799,900
					<u>1,799,900</u>
					\$ 1,823,329
					<u>\$ 1,823,329</u>

See Notes to the Financial Statements

INCORPORATED VILLAGE OF BRIGHTWATERS
Balance Sheet
May 31, 2014

<u>ASSETS</u>	<u>General Fund</u>
Assets:	
Cash and Cash Equivalents	\$ 23,851
CLASS Investment Account	289,309
Taxes Receivable	23,634
Accounts Receivable	9,687
State and Federal Aid Receivables	107,444
Due From Other Funds	1,174
Prepaid Expenses	5,000
Total Assets	\$ 460,099
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>	
Liabilities:	
Accounts Payable and Accrued Expenditures	\$ 122,263
Unearned Revenues	11,850
Total Liabilities	134,113
Deferred Inflows of Resources:	
Deferred Revenue - State Aid Receivable	107,444
Deferred Revenue - Real Property Taxes	18,072
Deferred Revenue - Sanitation Fees	7,137
Total Deferred Inflows of Resources	132,653
Fund Balance:	
Nonspendable	5,000
Unassigned	188,333
Total Fund Balance	193,333
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 460,099

INCORPORATED VILLAGE OF BRIGHTWATERS
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
As of May 31, 2014

Total Fund Balance - total governmental funds: \$ 193,333

This amount differs from the amount of Net Position shown in the Statement of Net Position due to the following:

Receivables for revenues earned, measurable but not available to provide financial resources are included in the government-wide statements as assets and are added. 132,653

Amounts for prepaid expenses are included in the government-wide statements as assets and are added. 6,318

Capital assets are included as assets in the government-wide statements and are added, net of accumulated depreciation. 2,320,194

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 and are deducted. (17,374)

Long-term liabilities are not due and payable in the current period and accordingly are not reported in the governmental funds. However, these liabilities are included in the government-wide statements and are deducted.

Compensated absences (64,220)
Other post-employment benefits payable (747,575)

Total Net Position \$ 1,823,329

INCORPORATED VILLAGE OF BRIGHTWATERS
Statement of Revenues, Expenditures and Change in Fund Balance
For the Year Ended May 31, 2014

	General Fund
Revenues:	
Real Property Taxes	\$ 1,461,107
Real Property Tax Items	8,202
Non Property Tax Items	126,125
Departmental Income	782,000
Use of Money and Property	4,951
Licenses and Permits	4,005
Fines and Forfeitures	14,130
Insurance Recoveries and Minor Sales	3,967
Miscellaneous Local Sources	38,276
Federal Aid	6,637
State Aid	217,990
	<u>2,667,390</u>
 Total Revenues	 <u>2,667,390</u>
Expenditures:	
General Government Support	789,255
Public Safety	435,395
Health	57,525
Transportation	165,646
Economic Opportunity and Development	26,930
Culture and Recreation	52,411
Home and Community Services	517,684
Employee Benefits	371,918
	<u>2,416,764</u>
 Total Expenditures	 <u>2,416,764</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 250,626
 Fund Balance at Beginning of Year	 <u>(57,293)</u>
 Fund Balance at End of Year	 <u><u>\$ 193,333</u></u>

See Notes to the Financial Statements

INCORPORATED VILLAGE OF BRIGHTWATERS
Reconciliation of the Statement of Revenues, Expenditures and
Change in Fund Balance of the Governmental Funds
to the Statement of Activities
For the Year Ended May 31, 2014

Net Change in Fund Balance shown for total governmental funds \$ 250,626

This amount differs from the change in net position shown in the Statement of Activities because of the following:

Capital outlays for acquisition of capital assets are recorded in governmental funds 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.

Capital expenditures	24,259	
Depreciation expense	<u>(127,993)</u>	(103,734)

Major revenues are recorded in the governmental funds when they become susceptible to accrual, that is when they are earned, measurable and available to provide current financial resources. In the Statement of Activities, major revenues are recognized when they are earned and measurable, regardless of when they become available.

25,210

The issuance of long-term liabilities provides current financial resources to governmental funds, while the repayment of the principal of long-term liabilities consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. This amount is the net effect of these differences in the treatment of long-term liabilities and related items.

(131,268)

Certain expenditures for insurance premiums are recorded in the governmental funds when the payments are due. In the Statement of Activities, these costs are allocated over the applicable time period that they pertain to. Insurance premiums are allocated over the policy period that they are prepaid for. This is the amount by which the current period expenditures exceed the costs allocated over the applicable periods.

6,318

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

(17,375)

Payments for compensated absences are shown in the governmental funds when they are due. In the Statement of Activities, these costs are reported during the period the liabilities are incurred, regardless of when they are due and payable. This amount represents the difference between the expenditures recorded in the current year for payments due on prior year liabilities and the expenses incurred during the current year that have not been paid.

(6,348)

Change in Net Position of governmental activities shown in the Statement of Activities:

\$ 23,429

INCORPORATED VILLAGE OF BRIGHTWATERS
Notes to the Financial Statements
For the Year Ended May 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY

The Village of Brightwaters was incorporated in 1916. The Board of Trustees, which is the legislative body responsible for the overall operations of the Village, consists of the Mayor and four trustees. The Mayor serves as Chief Executive Officer and the Treasurer serves as Chief Fiscal Officer.

The following basic services are provided: fire protection, sanitation, recreation, village planning, street maintenance and lighting.

The financial statements of the Village have been prepared in conformity with generally accepted accounting principles (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 Government's accounting policies are described below.

B. BASIS OF PRESENTATION

1. Government-Wide Financial Statements:

The government-wide financial statements include a Statement of Net Position and the Statement of Activities. Fiduciary activities of the Village are not included in these statements.

The statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Village's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the Village are reported in three categories: 1) fees, fines, and charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables and receivables. All interfund balances in the Statement of Net Position have been eliminated except those representing balances between governmental activities and agency activities.

2. Fund Financial Statements:

The accounts of the Village are organized on the basis of funds, each of which is considered

INCORPORATED VILLAGE OF BRIGHTWATERS
Notes to the Financial Statements
For the Year Ended May 31, 2014

a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures, which are segregated for the purpose of carrying on specific activities. The various funds are exhibited by type in the financial statements. The following fund types are used:

Fund Categories

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

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

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

Trust and Agency Funds – used to account for money (and/or property) received and held in the capacity of trustee, custodian or agent. These include expendable trusts, nonexpendable trusts and agency funds.

3. Equity Classifications:

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. **Net investment in capital assets** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. **Restricted net position** - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- c. **Unrestricted net position** - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

INCORPORATED VILLAGE OF BRIGHTWATERS
Notes to the Financial Statements
For the Year Ended May 31, 2014

Fund Statements

Fund balance is classified and displayed in five components:

- a. Nonspendable – Consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.
- b. Restricted – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- c. Committed – Consists of amounts that are subject to a purpose constraint imposed by a formal action of the government’s highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The Board is the decision-making authority that can, by resolution prior to the end of the fiscal year, commit fund balance.
- d. Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the government’s highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance.
- e. Unassigned – Represents the residual classification for the government’s general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

C. MEASUREMENT FOCUS / BASIS OF ACCOUNTING

Measurement focus is the determination of what is measured, i.e. expenditures or expenses. Basis of accounting refers to when revenues and expenditures and the related assets and liabilities 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.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic measurement focus means all assets and liabilities are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources

INCORPORATED VILLAGE OF BRIGHTWATERS

Notes to the Financial Statements

For the Year Ended May 31, 2014

measurement focus and are accounted for using the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered available if collected within 60 days from year end. Material revenues that are accrued include real property taxes and state aid. If expenditures are the prime factor for determining eligibility, revenue from federal and state grants are accrued when the expenditure is made and the resources are available. Expenditures are recorded when the liability is incurred except that:

- Principal and interest on indebtedness are recognized as an expenditure at the time of payment.
- Expenditures for prepaid and inventory-type items are normally recognized at the time of purchase.
- Compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid.
- Pension costs are recognized as an expenditure when billed by the State.

D. CASH AND INVESTMENTS

The Village's investment policies are governed by state statutes. Village monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. The Village is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the United States government and United States agencies, repurchase agreements and obligations of New York State or its localities and investments made by the Cooperative Liquid Asset Security System (NYCLASS).

Collateral is required for demand deposits, money market account and certificates of deposit not covered by the FDIC. Obligations that may be pledged as collateral are obligations and repurchase agreements relating to treasury obligations.

Investments are stated at cost, which approximates market.

E. PROPERTY TAXES

Property taxes are levied annually on June 1. Real property tax payments are due in total by July 1st of each year. A 5% penalty is imposed after July 1st. Interest is charged at a rate of 1% per month up to a total of 12% per annum.

INCORPORATED VILLAGE OF BRIGHTWATERS
Notes to the Financial Statements
For the Year Ended May 31, 2014

F. BUDGETARY DATA

1. Budget Policies

An operating budget is adopted each fiscal year. The Mayor prepares a preliminary budget and the Village Board of Trustees holds a public hearing. Subsequent to the public hearing, revisions (if any) are made and the budget is adopted by the Village Board as its budget for the coming year. The budget is not subject to referendum. Any supplemental appropriations that amend total expenditures require Village Board resolution. All budget appropriations lapse at the end of each fiscal year.

2. Budget Basis of Accounting:

Budgets are adopted annually on a basis consistent with generally accepted accounting principles applicable to municipalities.

G. CAPITAL ASSETS

Capital assets, which include land, buildings, equipment and infrastructure assets, are reported in the government-wide financial statements. The capital assets are reported at original cost. Depreciation has been recorded using the straight-line method over 5 to 20 years for machinery and equipment, 25 to 40 years for infrastructure, and 40 years for buildings and improvements. Land is not depreciated. The Village has established a capitalization threshold for assets of \$1,000. General infrastructure assets acquired or constructed prior to June 1, 2004 are not reported in the financial statements.

H. COMPENSATED ABSENCES

The Village's union employees are granted vacation and sick leave and earn compensatory absences in varying amounts. Vacation time can be accumulated upon written request citing extenuating circumstances. Sick time can be accumulated up to a maximum of 60 days. However, upon termination or retirement, each union employee shall be paid for accumulated sick leave, but in no event more than 36 days. Records are maintained by the Clerk-Treasurer. At May 31, 2014, the Village has an estimated liability of \$64,220.

I. OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits, the Village provides health insurance coverage and survivor benefits for retired employees. Substantially all of the Village's full time employees may become eligible for these benefits.

Healthcare 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 an expenditure in the governmental funds in the year paid. The liability for these other post-employment benefits

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Notes to the Financial Statements
For the Year Ended May 31, 2014

payable is recorded as a long-term debt in the government-wide statements. The current portion of this debt is estimated based on the most recent actuarial valuation in accordance with the parameters of GASB Statement No. 45.

J. INSURANCE

The Village assumes the liability for most risk including, but not limited to, property damage and personal injury liability. 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. The Village carries various insurance policies to mitigate any losses that might occur.

K. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results may differ from those estimates.

L. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time. The Village only has one type of item (deferred revenue), which arises only under the modified accrual basis of accounting, that qualifies for reporting under this category. Accordingly, deferred revenue is only reported in the governmental funds balance sheet. The deferred revenue represents the amounts that have not met the availability criteria applicable to revenue recognition. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

INCORPORATED VILLAGE OF BRIGHTWATERS
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For the Year Ended May 31, 2014

II. DETAIL NOTES ON ALL FUNDS

A. ASSETS

1. Cash and Investments:

The Village's cash and cash equivalents consist of cash on hand and demand deposits. Village monies must be deposited in specified FDIC-insured commercial banks located in New York State. The Village Clerk-Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include: obligations of the U.S. Treasury, obligations of New York State (or its localities if approved by the State Comptroller), and a CLASS investment account with the Municipal Investors Service Corp. which has a collateral arrangement with a third party custodial bank. All deposits and investments are carried at cost plus accrued interest.

Third party collateral is required for all deposits and certificates of deposit at 100% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are the same as the permissible investments mentioned above.

Deposits and investments at year-end were entirely covered by federal depository insurance or by collateral held by the Village's third party custodial bank. They consisted of:

Deposits: All deposits are carried at cost plus accrued interest. Bank balances for the Village's deposits with financial institutions as of May 31, 2014 totaled \$72,865 and are categorized as follows:

Checking - Demand	\$	72,865
Total Balances	<u>\$</u>	<u>72,865</u>
Amount FDIC Insured	\$	72,865
Total Amounts	<u>\$</u>	<u>72,865</u>

Investments: All deposits are stated at cost plus accrued interest.

Fund	CLASS Investment Account Market Value	Carrying Amount
General	\$ 289,309	\$ 289,309
Total Deposits and Investments	\$ 289,309	\$ 289,309

INCORPORATED VILLAGE OF BRIGHTWATERS
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For the Year Ended May 31, 2014

2. Changes in Capital Assets:

A summary of changes in capital assets follows:

<u>Capital Assets</u>	Balance May 31, 2013	Additions	Deletions	Balance May 31, 2014
Land	\$ 240,131	\$ -	\$ -	\$ 240,131
Vehicles and Equipment	561,272	24,259	-	585,531
Buildings and Improvements	248,285	-	-	248,285
Infrastructure	2,262,825	-	-	2,262,825
	<u>3,312,513</u>	<u>24,259</u>	<u>-</u>	<u>3,336,772</u>
<u>Accumulated Depreciation</u>				
Land	-	-	-	-
Vehicles and Equipment	(458,226)	(36,593)	-	(494,819)
Buildings and Improvements	(165,851)	(8,999)	-	(174,850)
Infrastructure	(264,508)	(82,401)	-	(346,909)
	<u>(888,585)</u>	<u>(127,993)</u>	<u>-</u>	<u>(1,016,578)</u>
<u>Totals</u>				
Land	240,131	-	-	240,131
Vehicles and Equipment	103,046	(12,334)	-	90,712
Buildings and Improvements	82,434	(8,999)	-	73,435
Infrastructure	1,998,317	(82,401)	-	1,915,916
Capital Assets, (net)	<u>\$ 2,423,928</u>	<u>\$ (103,734)</u>	<u>\$ -</u>	<u>\$ 2,320,194</u>

Depreciation expense was charged as direct expense to programs of the primary government as follows:

General Government Support	\$ 23,751
Public Safety	4,077
Transportation	74,716
Culture and Recreation	25,237
Home and Community Services	212
Total depreciation expense – Governmental Activities	<u>\$ 127,993</u>

INCORPORATED VILLAGE OF BRIGHTWATERS
Notes to the Financial Statements
For the Year Ended May 31, 2014

B. LIABILITIES

1. Pension Plan:

The Village of Brightwaters participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

Funding Policy

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% of their salary for the first ten years of membership. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates used in computing the employers' contributions. The required contributions paid for the current year and two preceding years were:

2013-2014	\$	99,277
2012-2013		115,083
2011-2012		102,840

Chapter 260 of the Laws of 2004 of the State of New York was enacted that allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- For State fiscal year (SFY) 2004-05, the amount in excess of 7 percent of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.5 percent of employees' covered pensionable salaries.
- For SFY 2007-08, the amount in excess of 10.5 percent of employees' covered pensionable salaries.

This law requires participating employers to make payments on a current basis, while

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Notes to the Financial Statements
For the Year Ended May 31, 2014

bonding or amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005 through 2008.

2. Long-Term Liabilities:

a. The Village had the following non-current liabilities:

- Compensated Absences – Represents the value of earned and unused portion of the liability for compensated absences.
- Other Post-Employment Benefits (OPEB) – Represents the non-current portion of the liability to current employees and retirees.

b. Summary Long-Term Debt – The following is a summary of long term liabilities by fund:

	General
Compensated Absences	\$ 64,220
Other Post-Employment Benefits	747,575
Total Long-Term Debt	\$ 811,795

c. The following is a summary of changes in long-term liabilities:

	Compensated Absences	Other Post- Employment Benefits
Payable at beginning of fiscal year	\$ 57,872	\$ 616,307
Additions	6,348	176,411
Reductions	-	(45,143)
Payable at end of fiscal year	\$ 64,220	\$ 747,575

C. FUND BALANCE

The government's fund balance classification policies and procedures are as follows:

1. For committed fund balances:

- a. The government's highest level of decision-making authority resides with the Board of Trustees.
- b. The formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment is through formal resolution by the Board.

INCORPORATED VILLAGE OF BRIGHTWATERS
Notes to the Financial Statements
For the Year Ended May 31, 2014

2. For assigned fund balances:

- a. The body or official authorized to assign amounts to specific purpose is the Board of Trustees.
- b. The policy established by the governing body pursuant to which the authorization to assign amounts to a specific purpose is given to the Board of Trustees.

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

D. POST EMPLOYMENT HEALTHCARE PLAN

In the government-wide financial statements, the cost of other post-employment benefits (OPEB), like the cost of pension benefits, generally should be associated with the period in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended May 31, 2010, the Village recognizes the cost of other post-employment benefits in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Village's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing in 2010.

Plan Description. The Village maintains a post-employment health insurance plan for retired employees of the Village. The plan is a single-employer defined benefit OPEB plan administered by the Village. The plan provides medical insurance through the New York State Empire Health Insurance Plan and dental and vision benefits through Teamsters Local 237. The plan's benefits are provided to all eligible retirees and their eligible spouses and can be amended by action of the Governing Board subject to applicable collective bargaining and employment agreements. For a retiree to be eligible, he or she should have completed twenty consecutive years working full time for the Village.

There are currently nine active participants and four retirees in the plan. All financial activities of the plan are included in the financial statements of the Village. The plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan.

Funding Policy. Currently, the plan is non-contributory for employees. The plan pays 100% of the cost of all benefits provided to the retiree and the retiree's spouse during the retiree's lifetime. The plan does not provide benefits to surviving spouses. The Village currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The Village reserves the right to modify this plan in the future.

INCORPORATED VILLAGE OF BRIGHTWATERS
Notes to the Financial Statements
For the Year Ended May 31, 2014

Annual OPEB Cost and Net OPEB Obligation. The Village's annual other post-employment benefit (OPEB) cost (expense) 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 amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the state's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Village's net OPEB obligation:

Annual required contribution	\$ 180,727
Interest on net OPEB obligation	24,652
Adjustment to annual required contribution	<u>(28,968)</u>
Annual OPEB cost (expense)	176,411
Contributions made	<u>(45,143)</u>
Increase in net OPEB obligation	131,268
Net OPEB obligation—beginning of year	<u>616,307</u>
Net OPEB obligation—end of year	<u><u>\$ 747,575</u></u>

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the preceding year were as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	OPEB Cost of Payroll
5/31/2014	\$ 176,411	25.6%	\$ 747,575	\$ 508,266	34.7%
5/31/2013	168,107	23.7%	616,307	488,717	33.7%

Funded Status and Funding Progress. As of June 1, 2012, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was \$2,080,122, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,080,122. The covered payroll (annual payroll of active employees covered by the plan) was \$488,717, and the ratio of the UAAL to the covered payroll was 425.6% percent.

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

INCORPORATED VILLAGE OF BRIGHTWATERS
Notes to the Financial Statements
For the Year Ended May 31, 2014

required supplementary information following the notes to the financial statements, presents 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.

E. CONCENTRATION OF RISK

The Village maintains all cash and cash equivalents in one depository. FDIC insurance covers all government accounts up to \$250,000 (per official custodian) for demand and time and savings accounts.

F. COMMITMENTS AND CONTINGENCIES

State Grants

The Village is a recipient of a number of State grants. These grants are administered by various agencies. These grants are subject to various compliance and financial audits by the respective agencies administering the grants, which could lead to certain disallowances and a request for a return of funds. The Board believes that they have substantially complied with the rules and regulations as specified under the various grant agreements as well as rules and regulations of the respective agency for each grant.

Tax Certiorari

There are presently pending against the Village a number of real property tax review proceedings requesting reductions in assessed valuations of various properties for both past and current years. The financial exposures in these cases are indeterminable at this time. See subsequent events for additional information.

Other

The Village is subject to litigation in the ordinary conduct of its affairs. Management does not believe however, that such litigation, individually or in the aggregate, is likely to have a material effect on the financial statements.

There are no contingencies that the Village is aware of that would have a material impact on the financial statements.

INCORPORATED VILLAGE OF BRIGHTWATERS
Notes to the Financial Statements
For the Year Ended May 31, 2014

G. SUBSEQUENT EVENTS

There were no events subsequent to May 31, 2014 and the date that these financial statements were available to be issued, November 13, 2014, that would have a material impact on these financial statements.

INCORPORATED VILLAGE OF BRIGHTWATERS
Statement of Revenues, Expenditures and Change in Fund Balance
Budget and Actual - General Fund
For the Year Ended May 31, 2014
(Unaudited)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues:			
Real Property Taxes	\$ 1,482,599	\$ 1,482,599	\$ 1,461,107
Real Property Tax Items	11,400	11,400	8,202
Non Property Tax Items	118,000	118,000	126,125
Departmental Income	815,281	815,281	782,000
Use of Money and Property	6,500	6,500	4,951
Licenses and Permits	2,000	2,000	4,005
Fines and Forfeitures	22,000	22,000	14,130
Insurance Recoveries and Minor Sales	6,000	6,000	3,967
Miscellaneous Local Sources	15,000	15,000	38,276
Federal Aid	-	-	6,637
State Aid	161,045	161,045	217,990
	<u>2,639,825</u>	<u>2,639,825</u>	<u>2,667,390</u>
Total Revenues			
Expenditures:			
General Government Support	784,565	784,565	789,255
Public Safety	406,300	406,300	435,395
Health	56,060	56,060	57,525
Transportation	334,975	334,975	165,646
Economic Opportunity and Development	6,500	6,500	26,930
Culture and Recreation	44,775	44,775	52,411
Home and Community Services	504,950	504,950	517,684
Employee Benefits	501,700	501,700	371,918
	<u>2,639,825</u>	<u>2,639,825</u>	<u>2,416,764</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	250,626
Fund Balance at Beginning of Year			<u>(57,293)</u>
Fund Balance at End of Year			<u>\$ 193,333</u>

See Notes to the Financial Statements

INCORPORATED VILLAGE OF BRIGHTWATERS
Schedule of Funding Progress for the Retiree Health Plan
For the Year Ended May 31, 2014
(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)— Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/1/2009	-	\$ 1,921,702	\$ 1,921,702	0.0%	\$ 550,028	349.4%
6/1/2012	-	2,080,122	2,080,122	0.0%	488,717	425.6%