# INCORPORATED VILLAGE OF CENTRE ISLAND

OYSTER BAY, NEW YORK

---

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 2018

<u>**Table of Contents**</u>


| | Page(s) |
|---|---|
| **Independent Auditors' Report** | 1-2 |
| **Management's Discussion and Analysis** | 3-7 |
| **Basic Financial Statements** | |
| Government-wide Financial Statements: | |
| Statement of Net Position | 8 |
| Statement of Activities | 9 |
| Fund Financial Statements: | |
| Balance Sheet | 10 |
| Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position | 11 |
| Statement of Revenues, Expenditures and Change in Fund Balance | 12 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities | 13 |
| Statement of Fiduciary Net Position | 14 |
| **Notes to the Financial Statements** | 15-35 |
| **Required Supplementary Information** | |
| Statement of Revenues, Expenditures and Change in Fund Balance Budget and Actual - General Fund | 36 |
| Schedule of Funding Progress for the Retiree Health Plan | 37 |
| Schedule of the Local Government's Proportionate Share of the Net Pension Liability | 38 |
| Schedule of Local Government Contributions | 39 |

# SKINNON AND FABER
Certified Public Accountants, P.C.


## INDEPENDENT AUDITORS' REPORT

Board of Trustees
Incorporated Village of Centre Island
Centre Island, New York

We have audited the accompanying financial statements of the governmental activities and each major fund of the Incorporated Village of Centre Island, as of and for the year ended May 31, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements 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.

**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 disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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


CPA SM
America Counts on CPAs

3690 Expressway Drive South
Islandia, NY 11749

Phone: (631) 851-1201
Fax: (631) 851-1206
Email: info@sfhcpa.com
Website: www.sfhcpa.com

**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 Centre Island, as of May 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof 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, budgetary comparison information, funding progress for the retiree health plan, local government's proportionate share of the net pension liability, and local government contributions 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 historic 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, CPA's, P.C.

SKINNON AND FABER, CPA's, P.C.
Islandia, New York
October 29, 2018

## INCORPORATED VILLAGE OF CENTRE ISLAND

### Management's Discussion and Analysis
### (Unaudited)

The Board of Trustees of the Incorporated Village of Centre Island (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, 2018. 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 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, the schedule of the local government's proportionate share of the net pension liability and the schedule of local government contributions.

## FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

### Net Position

The Village's total net position decreased by $344,908 for the fiscal year ended May 31, 2018. A condensed summary of the Village's Statement of Net Position for the current and prior year is detailed below.

**Condensed Statement of Net Position – Governmental Activities**

| | May 31, 2018 | May 31, 2017 |
|---|---|---|
| Assets | | |
| Current and Other Assets | $ 2,376,581 | $ 2,521,275 |
| Capital Assets (net) | 214,509 | 216,023 |
| Total Assets | 2,591,090 | 2,737,298 |
| Deferred Outflows of Resources | 676,197 | 528,347 |
| Liabilities | | |
| Liabilities | 28,331 | 79,088 |
| Long-Term Liabilities | 3,358,819 | 3,385,822 |
| Total Liabilities | 3,387,150 | 3,464,910 |
| Deferred Inflows of Resources | | |
| Taxes Collected in Advance | 9,087 | 30,727 |
| Advance Payment of Rent | 2,050 | - |
| Advance Payment of Permit | 20,000 | - |
| Pension | 547,062 | 123,162 |
| Total Deferred Inflows of Resources | 578,199 | 153,889 |
| Net Position | | |
| Net Investment in Capital Assets | 214,509 | 216,023 |
| Unrestricted | (912,571) | (569,177) |
| Total Net Position | $ (698,062) | $ (353,154) |

Net investment in capital assets is the Village's investment in capital assets, such as computers, police vehicles and equipment, heavy equipment and trucks, buildings and improvements, reduced by accumulated depreciation and associated debt. This figure also includes land, which is not depreciated. More detailed information can be found in the Notes to the Financial Statements.

Changes in Net Position

The Statement of Activities reports the result of the current and prior 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 Year Ended | |
|---|---|---|
| | **May 31, 2018** | **May 31, 2017** |
| Revenues | | |
| Program Revenues: | | |
| Fees, Fines and Charges for Services | $ 119,425 | $ 113,977 |
| Operating Grants and Contributions | 14,156 | - |
| Capital Grants and Contributions | - | 2,724 |
| General Revenues: | | |
| Real Property Taxes and Non-Property Taxes | 2,704,571 | 2,587,728 |
| Use of Money and Property | 4,470 | 4,292 |
| Miscellaneous Local Sources | 2,226 | 130 |
| Gain on Asset Disposition | 14,570 | 3,500 |
| State Aid | 36,266 | 39,105 |
| Total Revenues | 2,895,684 | 2,751,456 |
| Expenses | | |
| Governmental Activities: | | |
| General Government Support | 412,430 | 313,103 |
| Public Safety | 2,650,071 | 2,668,813 |
| Transportation | 74,363 | 71,978 |
| Culture and Recreation | 200 | 1,350 |
| Home and Community Services | 103,528 | 104,079 |
| Total Expenses | 3,240,592 | 3,159,323 |
| Change in Net Position | (344,908) | (407,867) |
| Beginning Net Position | (353,154) | 54,713 |
| Ending Net Position | $ (698,062) | $ (353,154) |

## ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATION

The Village's financial position weakened during the year. The Village had an excess of expenses over revenues of $344,908. The Village's long-term liabilities, which consist primarily of Other Post-Employment Benefits, caused a large increase in employee benefit expenses for the year; this was the largest single factor that affected Village operations.

The Village had an increase in total revenues of $144,228. This was largely due to an increase in real property taxes levied during the year. Total expenses increased $81,269. General government support increased $99,327, mainly due to an increase in expenses related to litigation pertaining to helicopter regulations within the Village as well as an increase in property tax refunds compared to the prior year.

## ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

The General Fund Balance decreased by $189,379 to $2,226,310. Of this amount the Board of Trustees has assigned $1,196,299 of the total fund balance for future obligations including retirement, health insurance, and equipment maintenance. The Village has $930,011 of unassigned fund balance at May 31, 2018.

## BUDGETARY ANALYSIS

The Village made one budget modification during the fiscal year to cover costs associated with the purchase of a new police vehicle which totaled $29,270.

The following variances existed between the final budget for the fiscal year ended May 31, 2018 and the actual results:

Revenues:

- Budgeted revenue exceeded actual amounts by $103,238. This was mainly due to the Village budgeting $100,000 of fund balance for future services.
- Departmental Income: (decrease $19,798) budget was based on prior years revenues in which there was a large unexpected increase in Safety Inspection Fees. During the current year the total in these accounts have returned to a more "normal" balance.
- Federal and State Aid: (increase $30,922) conservative budgeting of this revenue item led to a large variance, as actual fees were much greater than expected. During the fiscal year, the Village received aid related to revenue sharing, mortgage tax, and police gear.

Expenditures:

- Overall expenditures were $100,711 greater than budgeted amounts.
- General Government Support: Most expenditures were in line with expected amounts. Overall general government support expenditures were $46,288 greater than budgeted. This was mainly due to an increase in expenses related to litigation

pertaining to helicopter regulations within the Village as well as an increase in property tax refunds compared to the prior year.

- Public Safety: Expenditures were $14,169 greater than budgeted. The Village purchase a new police vehicle during the year for a total of $29,270 which was not budgeted for.
- Employee Benefits: Expenditures were $51,651 greater that budgeted. This was due to an increase in police and fireman retirement.

These variations from budgeted amounts are not expected to affect future services or liquidity.

A detailed schedule showing the budgeted amounts compared to the Village's actual financial activity for the General Fund is provided in this report as required supplementary information.

## CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Village's investment in capital assets as of May 31, 2018 totaled $214,509 (net of accumulated depreciation). The decrease in net capital assets for the year was $1,514. Acquisitions were capitalized and are being depreciated using the straight-line depreciation method. The Village has no long-term debt.

## INFRASTRUCTURE ASSETS

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

## CURRENTLY KNOWN FACTS, DECISIONS AND CONDITIONS

The current economic conditions have made it difficult for the Village to develop a balanced budget. Utilizing a strict cost cutting strategy and conservative fiscal policies, the Village was able to maintain their current tax rates. The administration has been diligent in containing expenses while continuing to provide efficient 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 Centre Island
Carol Schmidlapp, Treasurer
303 Centre Island Road
Centre Island, New York 11771

**INCORPORATED VILLAGE OF CENTRE ISLAND**
**Statement of Net Position**
**May 31, 2018**

| | |
|---|---|
| **ASSETS** | |
| Cash and Cash Equivalents | $ 2,299,691 |
| Accounts Receivable | 34,337 |
| Taxes Receivable | 50 |
| Prepaid Expenses | 42,503 |
| Capital Assets (net) | 214,509 |
| **Total Assets** | 2,591,090 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Deferred Amounts Related to Pensions | 676,197 |
| **Total Deferred Outflows of Resources** | 676,197 |
| **LIABILITIES** | |
| Accounts Payable | 24,342 |
| Due To Other Governments | 3,989 |
| Long-Term Liabilities: | |
| Net Pension Liability: | |
| Due Within One Year | - |
| Due in More than One Year | 274,489 |
| Other Post-Employment Benefits: | |
| Due Within One Year | - |
| Due in More than One Year | 2,011,842 |
| Compensated Absences: | |
| Due Within One Year | 107,249 |
| Due in More than One Year | 965,239 |
| **Total Liabilities** | 3,387,150 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Taxes Collected in Advance | 9,087 |
| Advance Payment of Rent | 2,050 |
| Advance Payment of Permit | 20,000 |
| Deferred Amounts Related to Pensions | 547,062 |
| **Total Deferred Inflows of Resources** | 578,199 |
| **NET POSITION** | |
| Net Investment in Capital Assets | 214,509 |
| Unrestricted | (912,571) |
| **Total Net Position** | $ (698,062) |

*See Notes to the Financial Statements*

**INCORPORATED VILLAGE OF CENTRE ISLAND**
**Statement of Activities**
**For the Year Ended May 31, 2018**

| Functions/Programs | Expenses | Program Revenues: Fees, Fines, and Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) / Revenue |
|---|---|---|---|---|---|
| Governmental Activities: | | | | | |
| General Government Support | $ 412,430 | $ 29,217 | $ 2,556 | $ - | $ (380,657) |
| Public Safety | 2,650,071 | 38,543 | 11,600 | - | (2,599,928) |
| Transportation | 74,363 | - | - | - | (74,363) |
| Culture and Recreation | 200 | 49,600 | - | - | 49,400 |
| Home and Community Services | 103,528 | 2,065 | - | - | (101,463) |
| Total Governmental Activities | $ 3,240,592 | $ 119,425 | $ 14,156 | $ - | (3,107,011) |
| **General Revenues:** | | | | | |
| Real Property Taxes and Related Tax Items | | | | | 2,687,602 |
| Non-Property Taxes | | | | | 16,969 |
| Use of Money and Property | | | | | 4,470 |
| Miscellaneous Local Sources | | | | | 2,226 |
| Gain on Asset Disposition | | | | | 14,570 |
| State Aid | | | | | 36,266 |
| Total General Revenues | | | | | 2,762,103 |
| Change in Net Position | | | | | (344,908) |
| Beginning Net Position | | | | | (353,154) |
| Ending Net Position | | | | | $ (698,062) |

*See Notes to the Financial Statements*

**INCORPORATED VILLAGE OF CENTRE ISLAND**
**Balance Sheet**
**May 31, 2018**

| | | General Fund |
|---|---|---|
| **Assets** | | |
| Cash and Cash Equivalents | $ | 2,299,691 |
| Accounts Receivable | | 34,337 |
| Taxes Receivable | | 50 |
| **Total Assets** | $ | 2,334,078 |
| **Liabilities, Deferred Inflows of Resources, and Fund Balance** | | |
| Liabilities: | | |
| Accounts Payable | $ | 72,642 |
| Due to Other Governments | | 3,989 |
| Total Liabilities | | 76,631 |
| Deferred Inflows of Resources: | | |
| Deferred Revenues | | 31,137 |
| Total Deferred Inflows of Resources | | 31,137 |
| Fund Balance: | | |
| Assigned, Appropriated Fund Balance | | 100,000 |
| Assigned, Unappropriated Fund Balance | | 1,196,299 |
| Unassigned Fund Balance | | 930,011 |
| Total Fund Balance | | 2,226,310 |
| **Total Liabilities, Deferred Inflows of Resources, and Fund Balance** | $ | 2,334,078 |

**INCORPORATED VILLAGE OF CENTRE ISLAND**
**Reconciliation of the Governmental Fund Balance Sheet**
**to the Statement of Net Position**
**As of May 31, 2018**

| | |
|---|---|
| Total Fund Balance - The Governmental Fund | $ 2,226,310 |
| This amount differs from the amount of net position shown in the Statement of Net Position due to the following: | |
| Amounts for prepaid expenses are included in the government-wide statements as assets and are added. | 42,503 |
| Deferred inflows of resources and deferred outflows of resources are not due and payable in the current period and, accordingly, are not reported as fund liabilities and are added. | 129,135 |
| Capital assets are included as assets in the government-wide statements and are added, net of accumulated depreciation. | 214,509 |
| Liabilities that do not require the use of current financial resources are included in government-wide statements. | 48,300 |
| 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 as liabilities in the government-wide statements and are deducted: | |
| Net Pension Liability | (274,489) |
| Other Post-Employment Benefits | (2,011,842) |
| Compensated Absences | (1,072,488) |
| Total Net Position | $ (698,062) |

*See Notes to the Financial Statements*

**INCORPORATED VILLAGE OF CENTRE ISLAND**
**Statement of Revenues, Expenditures and Change in Fund Balance**
**For the Year Ended May 31, 2018**

| | General Fund |
|---|---|
| **Revenues:** | |
| Real Property Taxes | $ 2,687,602 |
| Real Property Tax Items | 4,829 |
| Non-Property Tax Items | 12,140 |
| Departmental Income | 25,202 |
| Use of Money and Property | 29,070 |
| Licenses and Permits | 49,600 |
| Fines and Forfeitures | 20,023 |
| Sale of Property and Compensation for Loss | 1,613 |
| Miscellaneous Local Sources | 613 |
| Federal and State Aid | 50,422 |
| Total Revenues | 2,881,114 |
| **Expenditures:** | |
| General Government Support | 368,838 |
| Public Safety | 1,771,405 |
| Transportation | 58,343 |
| Culture and Recreation | 200 |
| Home and Community Services | 89,648 |
| Employee Benefits | 796,629 |
| Total Expenditures | 3,085,063 |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | (203,949) |
| **Other Financing Sources (Uses):** | |
| Proceeds from Sale of Property | 14,570 |
| Total Other Financing Sources (Uses) | 14,570 |
| **Net Change in Fund Balance** | (189,379) |
| **Fund Balance at Beginning of Year** | 2,415,689 |
| **Fund Balance at End of Year** | $ 2,226,310 |

*See Notes to the Financial Statements*

**INCORPORATED VILLAGE OF CENTRE ISLAND**
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities**
**For the Year Ended May 31, 2018**

| | | | |
|---|---|---|---|
| Net Change in Fund Balance for The Governmental Fund | | $ | (189,379) |
| 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 these assets is allocated over their estimated useful lives and reported as depreciation expense. | | | |
| Capital expenditures | 29,270 | | |
| Depreciation expense | (30,784) | | |
| | | | (1,514) |
| Certain expenditures 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. This is the net effect of the differences of the current period expenditures and the costs allocated over the applicable periods. | | | (274,290) |
| 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. | | | 120,275 |
| Change in Net Position of Governmental Activities Shown in the Statement of Activities | | $ | (344,908) |

*See Notes to the Financial Statements*

# INCORPORATED VILLAGE OF CENTRE ISLAND
## Statement of Fiduciary Net Position
## May 31, 2018

| | | |
|---|---|---|
| | | **Agency** |
| **ASSETS** | | |
| Cash and Cash Equivalents | $ | 1,500 |
| **Total Assets** | | 1,500 |
| **LIABILITIES** | | |
| Agency Fund Liability | | 1,500 |
| **Total Liabilities** | $ | 1,500 |

*See Notes to the Financial Statements*

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

### A. FINANCIAL REPORTING ENTITY

The Incorporated Village of Centre Island (the Village) was established in 1926, and is governed by local village law, general laws of the State of New York and various local laws. The Board of Trustees is the legislative body responsible for overall operations, the Mayor serves as chief executive officer and the Treasurer serves as chief fiscal officer. The following basic services are provided: general government, refuse removal, road maintenance, street light maintenance, snow plowing, police protection, fire protection, and emergency management.

All governmental activities and functions performed for the Village of Centre Island are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of: (a) the primary government which is the Village of Centre Island, (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 statement 14, 39 and 61.

The decision to include a potential component unit in the Village's reporting entity is based on several criteria set forth in GASB 14, 39 and 61 including legal standing, fiscal dependency, and financial accountability. No other organizations have been included or excluded from the reporting entity.

### B. BASIS OF PRESENTATION

1. <u>Government-Wide Financial Statements:</u>

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Village. Fiduciary activities of the Village are not included in these statements.

These 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 and 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.

All interfund balances in the Statement of Net Position have been eliminated.

2. Fund Financial Statements:

The accounts of the Village are organized on the basis of funds, each of which is considered 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 out 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 sources, uses, and balances of current financial resources). The following are the Village's governmental fund types.

   General Fund – the principal operating fund and includes all operations not accounted for and reported in another fund.

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 a purely custodial capacity of trustee, custodian or agent. These include expendable trusts, nonexpendable trusts and agency funds.

3. Equity Classifications:

Government-Wide Financial 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 assets 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 assets that do not meet the definition of “restricted” or “net investment in capital assets.”

<u>Fund Financial Statements</u>

In fiscal 2011, the Village implemented Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). GASB 54 changed the classifications of fund balance to focus on the constraints imposed on resources in governmental funds, instead of the previous focus on availability for appropriations.

Fund balance is now broken down into five different classifications: nonspendable, restricted, committed, assigned, and unassigned.

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.

When resources are available from multiple classifications, the Village spends funds in the following order: restricted, committed, assigned, unassigned.

C. BASIS OF ACCOUNTING/MEASUREMENT FOCUS

Basis of accounting refers to when revenues and expenditures/expenses and the related assets, deferred outflows, liabilities and deferred inflows 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.

The government-wide financial 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 total 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 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 to be available if collected within 60 days of the end of the current fiscal year. Material revenues that are accrued include real property taxes and state and federal aid, sales tax and certain other charges. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made, all other grant requirements have been met, and the resources are available. Expenditures are recorded when a liability is incurred except that:

- Principal and interest on indebtness are recognized as expenditures when payment is due.
- Expenditures for prepaid expenses and inventory-type items are recognized at the time of purchase.
- Compensated absences, such as vacation and sick leave which vests or accumulates, are charged as an expenditure when payment is due.
- Other post-employment benefits are charged as expenditures when payment is due.

- Pension costs are recognized as an expenditure when billed by the State.

D. CASH AND CASH EQUIVALENTS

The Village considers all highly liquid instruments with a maturity of three months or less at the date of purchase to be cash equivalents.

E. PROPERTY TAXES

Property taxes are levied annually no later than May 15th and become a lien on the first day of the levy year. Taxes are collected June 1st to July 1st without penalty or interest. Penalty and interest are imposed pursuant to the Real Property Tax Law.

General Municipal Law Section 3-c established a tax levy limit for local governments in New York State effective June 24, 2011. This law generally limits the amount by which local governments can increase property tax levies to 2 percent or the rate of inflation, whichever is less. The law does provide exclusions for certain specific costs and allows the governing board to override the tax levy limit with a supermajority vote.

F. BUDGETARY DATA

1. Budget Policies- The budget policies are as follows:

   a. No later than March 20th, the budget officer submits a tentative budget to the Board of Trustees for the fiscal year commencing the following June 1st. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
   b. A public hearing is conducted by the Board of Trustees to obtain taxpayer comments, no later than May 1st, the Board of Trustees adopts the budget.
   c. All modifications to the budget must be approved by the Board of Trustees. (However, the Treasurer is authorized to transfer certain budget amounts within departments.)
   d. Budgets are adopted annually on a basis consistent with generally accepted accounting principles.
   e. Appropriations in all budgeted funds lapse at the end of the year, except that outstanding encumbrances are re-apportioned in the subsequent year.

G. CAPITAL ASSETS

Capital assets, which include computers, police vehicles and equipment, heavy equipment and trucks and building improvements, 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 3 years for computers, 5 years for police vehicles and equipment, 10 years for heavy equipment and trucks, and 30 years for buildings and improvements. Land is not depreciated. The Village has established a capitalization threshold for assets of $2,500. General infrastructure assets acquired or constructed prior to June 1, 2004 are not reported in the financial statements.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures in governmental funds. Capital assets are not shown on governmental fund balance sheets.

H. COMPENSATED ABSENCES

Village police officers are granted vacation pay, sick leave and other compensatory hours in varying amounts. Estimated vacation pay, sick leave and other compensation for hours accumulated by police officers has been recorded in the government-wide financial statements. Payment of this estimated liability is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payment of these obligations when such payment becomes due. At May 31, 2018, the Village has an estimated liability of $1,072,488.

I. OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits, the Village provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the Village's employees may become eligible for these benefits if they reach normal retirement age while working for the Village. Healthcare benefits and survivor’s 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 payable is recorded as a long-term debt in the government-wide financial 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.

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

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* defined and classified deferred outflows of resources and deferred inflows of resources. A deferred outflow of resources is a consumption of net assets that applies to future period(s), and as such, will not be recognized as an outflow of resources (expense/expenditure) until that time. A deferred inflow of resources is an acquisition of net assets that applies to future period(s), and as such, will not be recognized as an inflow of resources (revenue) until that time.

II. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. ASSETS

1. <u>Cash and Investments:</u>

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

Collateral is required for demand deposits and certificates of deposit as provided for by law 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.

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.

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

<u>Deposits:</u> All deposits are carried at cost plus accrued interest.

Bank balances for the Village's deposits with financial institutions as of May 31, 2018 totaled $2,320,151 and are covered by federal deposit insurance or third-party collateral as follows:

| | |
|---|---|
| Checking - Demand and Interest Bearing | $ 2,320,151 |
| Total Balances | $ 2,320,151 |
| Amount FDIC-Insured | $ 712,298 |
| Collateral Held by Village's Custodial Banks | 1,839,189 |
| Total Amounts | $ 2,551,487 |

2. Changes in Capital Assets:

A summary of changes in capital assets follows:

| Capital Assets | Balance May 31, 2017 | Additions | Deductions | Balance May 31, 2018 |
|---|---|---|---|---|
| Computers | $ 15,495 | $ - | $ - | $ 15,495 |
| Police Vehicles and Equipment | 271,258 | 29,270 | (22,771) | 277,757 |
| Heavy Equipment and Trucks | 188,558 | - | - | 188,558 |
| Buildings and Improvements | 283,440 | - | - | 283,440 |
| | 758,751 | 29,270 | (22,771) | 765,250 |
| Accumulated Depreciation | | | | |
| Computers | (15,495) | - | - | (15,495) |
| Police Vehicles and Equipment | (224,060) | (13,767) | 22,771 | (215,056) |
| Heavy Equipment and Trucks | (120,602) | (12,522) | - | (133,124) |
| Buildings and Improvements | (182,571) | (4,495) | - | (187,066) |
| | (542,728) | (30,784) | 22,771 | (550,741) |
| Totals | | | | |
| Computers | - | - | - | - |
| Police Vehicles and Equipment | 47,198 | 15,503 | - | 62,701 |
| Heavy Equipment and Trucks | 67,956 | (12,522) | - | 55,434 |
| Buildings and Improvements | 100,869 | (4,495) | - | 96,374 |
| Capital Assets (net) | $ 216,023 | $ (1,514) | $ - | $ 214,509 |

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

| | |
|---|---|
| *Governmental Activities* | |
| General Government Support | $ 6,479 |
| Public Safety | 16,091 |
| Transportation | 8,214 |
| Total Depreciation Expense-Governmental Activities | $ 30,784 |

B. LIABILITIES

1. Pension Plan:

Plan Description

The Village of Centre Island participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS), which are collectively referred to as the New York State and Local Retirement System (the System). The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all assets and record changes in fiduciary net position allocated to the System.

The Comptroller of the State of New York 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 the 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. Generally, members of the System are employees of the State and its municipalities, other than New York City.

ERS and PFRS are cost sharing, multiple-employer defined benefit pension plans. The System is included in the State's financial report as a pension trust fund

Separately issued financial statements for the System can be accessed on the Comptroller's website at:
www.osc.state.ny.us/retire/about_us/financial_statements_index.php. or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Membership Tiers

Pension legislation enacted in 1973, 1976, 1983, 2009 and 2012 established distinct classes of membership. For convenience, the System uses a tier concept to distinguish these groups, generally:

ERS

Tier 1 Those persons who last became members before July 1, 1973.
Tier 2 Those persons who last became members on or after July 1, 1973, but before

| | |
|---|---|
| | July 27, 1976. |
| Tier 3 | Generally, those persons who are State correction officers who last became members on or after July 27, 1976, but before January 1, 2010, and all others who last became members on or after July 27, 1976, but before September 1, 1983. |
| Tier 4 | Generally, except for correction officers, those persons who last became members on or after September 1, 1983, but before January 1, 2010. |
| Tier 5 | Those persons who last became members on or after January 1, 2010, but before April 1, 2012. |
| Tier 6 | Those persons who first became members on or after April 1, 2012. |

PFRS

| | |
|---|---|
| Tier 1 | Those persons who last became members before July 31, 1973. |
| Tier 2 | Those persons who last became members on or after July 31, 1973, but before July 1, 2009. |
| Tier 3 | Those persons who last became members on or after July 1, 2009, but before January 9, 2010. |
| Tier 4 | N/A |
| Tier 5 | Those persons who last became members on or after January 9, 2010, but before April 1, 2012, or who were previously PFRS Tier 3 members who elected to become Tier 5. |
| Tier 6 | Those persons who first became members on or after April 1, 2012. |

Vesting

Members who joined the System prior to January 1, 2010 need five years of service to be 100% vested. Members who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) require ten years of service credit to be 100% vested.

Employer Contributions

Participating employers are required under the RSSL to contribute to the System at an actuarially determined rate adopted annually by the Comptroller. The average contribution rate for ERS for the fiscal year ended March 31, 2018 was approximately 15.3% of payroll. The average contribution rate for PFRS for the fiscal year ended March 31, 2018 was approximately 24.4% of payroll. Delinquent annual bills for employer contributions accrue interest at the actuarial rate applicable during the year. For the fiscal year ended March 31, 2018, the applicable interest rate was 7%.

Member Contributions

Generally, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1976, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

| | | |
|---|---|---|
| 2017-18 | $ | 338,100 |
| 2016-17 | | 269,834 |
| 2015-16 | | 270,484 |

<u>Benefits</u>

*Tiers 1 & 2*

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least 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% 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% 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 of employment. For Tier 1 members who joined on or after June 17, 1971, each year used in the final average salary calculation is limited to no more than 20% greater than the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20% greater than the average of the previous two years.

*Tier 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% 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% 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% 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 of employment. For Tier 3, 4, and 5 members, each year of final average salary calculation is limited to no more than 10% greater than 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% 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% 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% 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% greater than 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.

*Disability Retirement Benefits*

Disability retirement benefits are available to ERS and PFRS members unable to perform their job duties because of permanent physical or mental incapacity. There are three general types of disability benefits: ordinary, performance of duty, and accidental disability benefits. Eligibility benefit amounts, and other rules such as any offsets or other benefits depend on a member's tier, years of service, and plan.

*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) ERS 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. The 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% of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1% or exceed 3%.

<u>Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

At May 31, 2018, the Village reported a liability of $274,489 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 May 31, 2018, the Village's proportion was 0.0002035 percent for ERS, which was an increase of .0000047 from its proportion measured at March 31, 2017. The Village's proportion for PFRS was 0.0265069 percent, which was an increase of .0003750 from its proportion measured at March 31, 2017.

For the year ended May 31, 2018, the Village recognized pension expense of $235,061. At May 31, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences Between Expected and Actual Experience | $ 112,616 | $ 73,129 |
| Changes of Assumptions | 207,354 | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 226,391 | 455,558 |
| Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | 129,836 | 18,375 |
| | $ 676,197 | $ 547,062 |

There were no amounts reported as deferred outflows of resources related to pensions resulting from the Village contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended March 31:

| | |
|---|---|
| 2019 | $ 85,782 |
| 2020 | 75,998 |
| 2021 | (31,383) |
| 2022 | (22,157) |
| 2023 | 20,895 |
| | $ 129,135 |

<u>Actuarial Assumptions</u>

The total pension liability at March 31, 2018 measurement date was determined by using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to March 31, 2018. The actuarial valuation for both ERS and PFRS used the following actuarial assumptions:

| | **ERS** | **PFRS** |
|---|---|---|
| Inflation | 2.5% | 2.5% |
| Salary Increases | 4.5 | 4.5 |
| Investment Rate of Return (Net of Investment Expense, | 7.0 | 7.0 |
| Including Inflation) | 1.3% | 1.3% |
| Cost of Living Adjustments | | |

Annuitant mortality rates are based on April 1, 2010 – March 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale

MP-2014.

The actuarial assumptions used in the April 1, 2017 are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Domestic equity | 36 % | 4.55 % |
| International equity | 14 | 6.35 |
| Private equity | 10 | 7.50 |
| Real estate | 10 | 5.55 |
| Absolute return strategies (1) | 2 | 3.75 |
| Opportunistic portfolio | 3 | 5.68 |
| Real assets | 3 | 5.29 |
| Bonds and mortgages | 17 | 1.31 |
| Cash | 1 | (0.25) |
| Inflation-indexed bonds | 4 | 1.25 |
| | 100 % | |

The real rate of return is net of the long-term inflation assumptions of 2.50%

(1) Excludes equity-oriented and long-only funds. For investment management purposes, these funds are included in domestic equity and international equity.

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 percent, 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 percent) or 1-percentage-point higher (8 percent) than the current rate:

| | 1% Decrease (6.0%) | Current Assumption (7.0%) | 1% Increase (8.0%) |
|---|---|---|---|
| ERS Net Pension Liability (Asset) | $ 49,703 | $ 6,569 | $ (29,921) |
| PFRS Net Pension Liability (Asset) | 1,312,347 | 267,920 | (608,108) |

Collective Net Pension Liability

The components of the current-year net pension liability of the employers as of March 31, 2018, were as follows:

| | Employees' Retirement System | Police and Fire Retirement System | Total |
|---|---|---|---|
| | | (Dollars in thousands) | |
| Employers' total pension liability | $ 183,400,590 | $ 32,914,423 | $ 216,315,013 |
| Plan net position | (180,173,145) | (31,903,666) | (212,076,811) |
| Employers' net pension liability | $ 3,227,445 | $ 1,010,757 | $ 4,238,202 |
| Ratio of plan net position to the employers' total pension liability | 98.24% | 96.93% | 98.04% |

2. Long-Term Liabilities:

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

      - Due to Employees' Retirement System – Represents the non-current portion of the liability to the various state retirement systems
      - 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. The following is a summary of long-term liabilities by fund:

| | General Fund |
|---|---|
| Unfunded Retirement | $ 274,489 |
| Compensated Absences | 1,072,488 |
| Other Post-Employment Benefits | 1,947,964 |
| Total Long-Term Debt | $ 3,294,941 |

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

| | Total | Other Post-Employment Benefits | Compensated Absences | Unfunded Retirement |
|---|---|---|---|---|
| Payable at beginning of fiscal year | $ 3,385,822 | $ 1,808,703 | $ 1,016,813 | $ 560,306 |
| Additions | 450,863 | 395,188 | 55,675 | - |
| Reductions | (477,866) | (192,049) | - | (285,817) |
| Payable at end of fiscal year | $ 3,358,819 | $ 2,011,842 | $ 1,072,488 | $ 274,489 |

Additions and reductions to unbilled retirement and compensating absences and other post-employment benefits are shown net since it is impractical to determine these amounts separately.

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.

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 balanced 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.

As of May 31, 2018, the Village has made the following fund balance assignments:

| | |
|---|---|
| Assigned Unappropriated Fund Balance: | |
| Police Department-Equipment and Software | $ 18,300 |
| Police Department-Retirement | 1,072,487 |
| Police Department-Unemployment Insurance | 18,500 |
| Police Department-Vehicles | 12,679 |
| Sanitation-Truck | 43,700 |
| Highway-Truck | 24,633 |
| Highway-Equipment | 6,000 |
| | $ 1,196,299 |

D. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

*Plan Description:* The Village administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Village's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the Village and the union representing Village employees and are renegotiated each three-year bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

The Village reports the expense and liability for post-employment benefits other than pension under the alternative measurement rules as allowed under GASB 45. Accordingly, the information below is based upon an actuarial report obtained by the Village dated October 10, 2018. Under GASB 45, this actuarial report can be used, for financial reporting purposes, for a three-year period.

*Funding Policy.* The Village contributes 100% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits make no contribution. For the year ended May 31, 2018, the Village contributed $72,786 to the plan.

*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). The Village has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. 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 actuarial 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 to the Retiree Health Plan:

| | |
|---|---|
| Annual Required Contribution | $ 404,404 |
| Interest on net OPEB Obligation | 63,570 |
| Adjustment to Annual Required Contribution | (72,786) |
| Annual OPEB Cost (Expense) | 395,188 |
| Age Adjusted Contributions made | (192,049) |
| Change in Net OPEB Obligation | 203,139 |
| Net OPEB Obligation - Beginning of Year | 1,808,703 |
| Net OPEB Obligation - End of Year | $ 2,011,842 |

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

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contribution | Net OPEB Obligation | Covered Payroll | OPEB Cost % of Payroll |
|---|---|---|---|---|---|
| 5/31/2018 | $ 395,188 | 48.6% | $ 1,898,344 | $ 1,215,101 | 32.5% |
| 5/31/2017 | 396,380 | 44.7% | 1,808,703 | 1,158,142 | 34.2% |
| 5/31/2016 | 385,166 | 43.8% | 1,589,448 | 885,000 | 43.2% |

*Funded Status and Funding Progress.* As of May 31, 2018, the actuarial accrued liability for benefits was $6,247,970, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $1,215,101, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 514.19 percent.

The projection of future benefit payments for an ongoing plan involves 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 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 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 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.

The following simplifying assumptions were made:

*Retirement age for active employees*- Based on the historical retirement age for the covered group, active plan members were assumed to retire at age 65, or at the first subsequent year in which the member would qualify for benefits.

*Marital Status*- Marital status of members at the calculation date was assumed to continue throughout retirement.

*Mortality*- Life expectancies were based on mortality tables from the Society of Actuaries. The RP2000 Mortality Table for Males and Females projected ten years was used.

*Turnover*- Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

*Healthcare cost trend rate*- The expected rate of increase in healthcare insurance premiums was based on projections of The Getzen trend model promulgated by the Society of Actuaries. A rate of 8 percent initially, reduced to an ultimate rate of 4.7 percent after ten years, was used.

*Health insurance premiums*- 2016 Health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

*Payroll growth rate*- The expected long-term payroll growth rate (3.5%) was assumed to equal the projected salary change.

Based on the historical and expected returns of the Village's short-term investment portfolio, a discount rate of 3.75 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at May 31, 2018, was twenty-three years.

E. CONCENTRATION OF RISK

The Village maintains all cash and cash equivalents in several depositories. FDIC insurance covers all government accounts up to $250,000 (per official custodian) for demand accounts and time savings accounts separately. All deposits in excess of the FDIC limits are fully collateralized.

## F. COMMITMENTS AND CONTINGENCIES

The Village annually contracts with the Incorporated Village of Bayville to provide fire and life protection for residents and property owners within the territorial limits of the Incorporated Village of Centre Island. Payments made during the year totaled $368,998, including $57,576 for the Length of Service Award Program (LOSAP).

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. 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.

Certiorari Proceedings

From time to time, the Village is involved in certiorari proceedings under which taxpayers seek reduction in the assessed value of property upon which taxes are measured. A reduction in assessed valuation may result in a refund of real property taxes previously paid by the claimant. It is not possible to estimate the amount of refunds, if any, that the Village may be required to make for taxes collected through May 31, 2018, which could affect future operating budgets of the Village.

Litigation

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters, etc. These risks are covered by commercial insurance purchased through independent third parties.

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

## G. SUBSEQUENT EVENTS

There were no events subsequent to May 31, 2018 and the date that these financial statements were available to be issued, October 29, 2018, that would have a material impact on these financial statements.

**INCORPORATED VILLAGE OF CENTRE ISLAND**
**Required Supplemental Information**
**For the Year Ended May 31, 2018**
**(Unaudited)**

**Statement of Revenues, Expenditures, and Change in Fund Balance**
**Budget and Actual - General Fund**

| | Original Budget | Final Budget | Actual |
|---|---|---|---|
| **Revenues:** | | | |
| Real Property Taxes | $ 2,690,482 | $ 2,690,482 | $ 2,687,602 |
| Real Property Tax Items | 5,000 | 5,000 | 4,829 |
| Non-Property Tax Items | 10,000 | 10,000 | 12,140 |
| Departmental Income | 45,000 | 45,000 | 25,202 |
| Use of Money and Property | 27,600 | 27,600 | 29,070 |
| Licenses and Permits | 54,000 | 54,000 | 49,600 |
| Fines and Forfeitures | 3,500 | 3,500 | 20,023 |
| Sale of Property and Compensation for Loss | - | - | 1,613 |
| Miscellaneous Local Sources | - | - | 613 |
| Federal and State Aid | 19,500 | 19,500 | 50,422 |
| Appropriated Fund Balance | 100,000 | 129,270 | - |
| Total Revenues | 2,955,082 | 2,984,352 | 2,881,114 |
| **Expenditures:** | | | |
| General Government Support | 322,550 | 322,550 | 368,838 |
| Public Safety | 1,727,966 | 1,757,236 | 1,771,405 |
| Transportation | 61,088 | 61,088 | 58,343 |
| Culture and Recreation | 900 | 900 | 200 |
| Home and Community Services | 97,600 | 97,600 | 89,648 |
| Employee Benefits | 744,978 | 744,978 | 796,629 |
| Total Expenditures | 2,955,082 | 2,984,352 | 3,085,063 |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | - | - | (203,949) |
| **Other Financing Sources (Uses)** | | | |
| Proceeds from Sale of Property | - | - | 14,570 |
| Total Other Financing Sources (Uses) | - | - | 14,570 |
| **Net Change in Fund Balance** | $ - | $ - | (189,379) |
| **Fund Balance at Beginning of Year** | | | 2,415,689 |
| **Fund Balance at End of Year** | | | $ 2,226,310 |

*See Notes to the Financial Statements*

### Schedule of Funding Progress for the Retiree Health Plan

| 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) |
|---|---|---|---|---|---|---|
| 5/31/2018 | - | $ 6,247,970 | $ 6,247,970 | 0.0% | $ 1,215,101 | 514.2% |
| 5/31/2017 | - | 6,247,970 | 6,247,970 | 0.0% | 1,158,142 | 539.5% |
| 5/31/2016 | - | 6,247,970 | 6,247,970 | 0.0% | 885,000 | 706.0% |

# INCORPORATED VILLAGE OF CENTRE ISLAND
## Required Supplementary Information
## For the Year Ended May 31, 2018
## (Unaudited)

### Schedule of the Local Government's Proportionate Share of the Net Pension Liability

### NYSLRS Pension Plan

| | | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| Village's proportion of the net pension liability (asset) | ERS | 0.0002035% | 0.0002835% | 0.0007520% |
| | PFRS | 0.0265069% | 0.0108032% | 0.0112888% |
| Village's proportionate share of the net pension liability (asset) | | $ 272,579 | $ 560,306 | $ 824,693 |
| Village's covered payroll | | $1,215,101 | $1,158,142 | $ 885,000 |
| Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | | 22.43% | 48.38% | 93.19% |
| Plan fiduciary net position as a percentage of the total pension liability | | 98.04% | 94.50% | 90.70% |

# INCORPORATED VILLAGE OF CENTRE ISLAND
## Required Supplementary Information
## For the Year Ended May 31, 2018
## (Unaudited)

### Schedule of Local Government Contributions

#### Employees' Retirement System

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Actuarially required contribution | $ 13,357 | $ 13,718 | $ (26,403) |
| Contributions in relation to the contractually required contribution | 13,357 | 13,718 | (26,403) |
| Contribution deficiency (excess) | $ - | $ - | $ - |
| Village's covered-employee payroll | $ 544,608 | $ 132,839 | $ 99,120 |
| Contributions as a percentage of covered-employee payroll | 2.45% | 10.33% | -26.64% |

#### Police and Fire Retirement System

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Actuarially required contribution | $ 289,800 | $ 269,833 | $ 270,484 |
| Contributions in relation to the contractually required contribution | 289,800 | 269,833 | 270,484 |
| Contribution deficiency (excess) | $ - | $ - | $ - |
| Village's covered-employee payroll | $ 670,493 | $1,025,303 | $ 785,880 |
| Contributions as a percentage of covered-employee payroll | 43.22% | 26.32% | 34.42% |