



**INCORPORATED VILLAGE OF EAST HILLS**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**WITH INDEPENDENT AUDITOR'S REPORT**

**May 31, 2015**

**INCORPORATED VILLAGE OF EAST HILLS**  
**TABLE OF CONTENTS**

---

	<u><b>Page</b></u>
<b>Independent Auditor's Report</b>	1
<b>Management's Discussion and Analysis (MD&amp;A)</b>	3
<b>Basic Financial Statements:</b>	
Statement of Net Position	15
Statement of Activities	16
Balance Sheet – Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
Statement of Fiduciary Net Position – Fiduciary Funds	21
Notes to Financial Statements	22
<b>Required Supplementary Information other than MD&amp;A</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	43
Schedule of Funding Progress for Other Postemployment Benefits (OPEB)	47
<b>Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards</b>	48



## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of the  
Incorporated Village of East Hills:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Incorporated Village of East Hills (the "Village"), as of and for the year ended May 31, 2015, and the related notes to financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

# NawrockiSmith

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Incorporated Village of East Hills, as of May 31, 2015, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress for the retiree health plan, on pages 3-14, 43-46, and 47 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board ("GASB"), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2015, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Melville, New York  
November 6, 2015



# INCORPORATED VILLAGE OF EAST HILLS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Incorporated Village of East Hills' (Village) discussion and analysis of financial performance provides an overall review of the Village's financial activities for the fiscal year ended May 31, 2015 in comparison with the year ended May 31, 2014, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

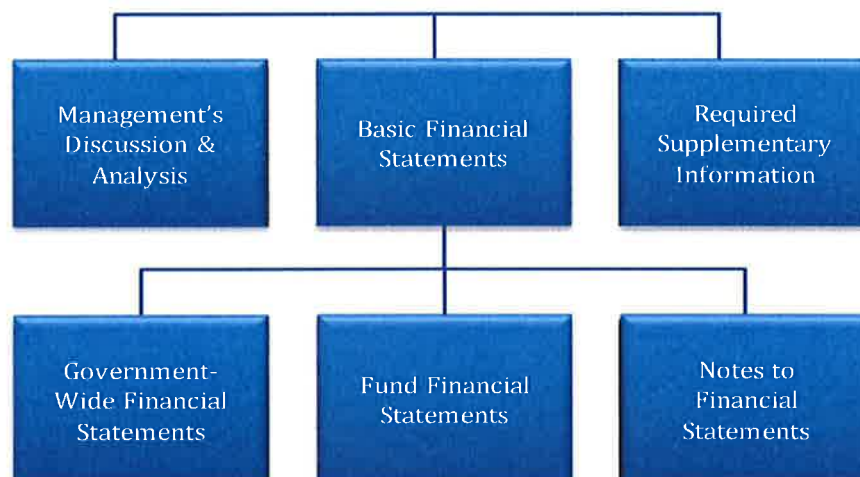
### 1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2015 are as follows:

- The Village's total net position, as reflected in the Government-wide financial statements, increased by \$89,564. This was due to an excess of revenues over expenses based on the accrual basis of accounting. The resulting total net position at May 31, 2015, was \$13,581,268.
- The general fund's total fund balance, as reflected in the fund financial statements, increased by \$524,122 to \$9,016,493.
- The Village renewed its commitment to road resurfacing by entering into contracts with vendors totaling more than \$2,300,000.
- The Village started a program to replace outdated vehicles and DPW equipment by purchasing \$165,350 of public safety vehicles and DPW equipment and committing to the purchase of \$712,003 of additional assets.

### 2. OVERVIEW OF THE FINANCIAL STATEMENTS

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



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

---

**A. Government-wide Financial Statements**

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

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

The Statement of Net Position

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

The Statement of Activities

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

**B. Fund Financial Statements**

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

Governmental Funds

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

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

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

---

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

The Village maintains three individual governmental funds: General Fund, Parkland Fund, and Capital Projects Fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

**Fiduciary Funds**

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

**C. Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**D. Other Information**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village's compliance with budget for the general fund and funding of postemployment benefits other than pensions.

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

**A. Net Position**

The Village's total net position increased \$89,564 between fiscal years 2015 and 2014 as summarized in the following table:

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

	2015	2014	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 9,812,296	\$ 9,352,500	\$ 459,796	4.92 %
Capital Assets, Net	<u>23,692,670</u>	<u>24,414,767</u>	<u>(722,097)</u>	(2.96)%
Total Assets	<u>33,504,966</u>	<u>33,767,267</u>	<u>(262,301)</u>	(0.78)%
Deferred Outflows of Resources	<u>580,929</u>	<u>675,993</u>	<u>(95,064)</u>	(14.06)%
Current and Other Liabilities	756,706	733,826	22,880	3.12 %
Long-Term Liabilities	15,624,820	16,796,543	(1,171,723)	(6.98)%
Net Other Postemployment Benefits Obligation	<u>4,123,101</u>	<u>3,399,715</u>	<u>723,386</u>	21.28 %
Total Liabilities	<u>20,504,627</u>	<u>20,930,084</u>	<u>(425,457)</u>	(2.03)%
Deferred Inflows of Resources	<u></u>	<u>21,472</u>	<u>(21,472)</u>	(100.00)%
Net Position				
Net Investment in Capital Assets	9,065,357	8,677,167	388,190	4.47 %
Restricted	85,832	85,788	44	0.05 %
Unrestricted	<u>4,430,079</u>	<u>4,728,749</u>	<u>(298,670)</u>	(6.32)%
Total Net Position	<u>\$ 13,581,268</u>	<u>\$ 13,491,704</u>	<u>\$ 89,564</u>	0.66 %

Current and other assets increased by \$459,796, as compared to the prior year and reflects increases in cash and prepaids, resulting from payments of insurance premiums for coverage extending beyond May 31, 2015 and debt service due on June 1, 2015.

Capital assets (net of depreciation) decreased by \$722,097, as compared to the prior year. This decrease is due to depreciation expense in excess of capital additions. The accompanying Notes to Financial Statements, Note 5, provides additional information.

Deferred outflows of resources decreased by \$95,064 due to amortization of the deferred charges from the 2012 advance bond refunding.

Current and other liabilities were relatively unchanged.

Long-term liabilities decreased by \$1,171,723, as compared to the prior year. This decrease is primarily the result of the principal repayment of bonds offset by an increase in the estimated compensated absences liability.

Net other postemployment benefits obligation increased by \$723,386 as the current year OPEB cost on the full accrual basis of accounting exceeded the amount reflected in the governmental funds on the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 10, provides additional information.

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

---

Deferred inflows of resources in the prior year were recognized as revenue in 2015.

The net investment in capital assets reflects the Village's investment at cost in capital assets (e.g., land, buildings, site improvements, infrastructure and equipment) less accumulated depreciation and any debt used to acquire those assets that is still outstanding. This balance increased over the prior year by \$388,190 as follows:

	<u>Increase/ (Decrease)</u>
Capital Asset Additions	\$ 638,124
Amortization of deferred charges	(95,064)
Amortization of bond premium	55,351
Net Principal Debt Reduction of Capital Asset Funding	1,150,000
Depreciation Expense	<u>(1,360,221)</u>
 Total Increase	 <u><u>\$ 388,190</u></u>

As permitted by the Governmental Accounting Standards Board (GASB), the Village did not include infrastructure assets placed in service prior to June 1, 2004. The Village uses its capital assets to provide services to the residents of the Village; consequently, they are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted net position amount represents legal reserves of the Village. The increase results from interest earnings on the reserve balances.

The unrestricted net position amount at May 31, 2015, is \$4,430,079.

**B. Changes in Net Position**

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. A summary of this statement for the years ended May 31, 2015 and 2014 is as follows:

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

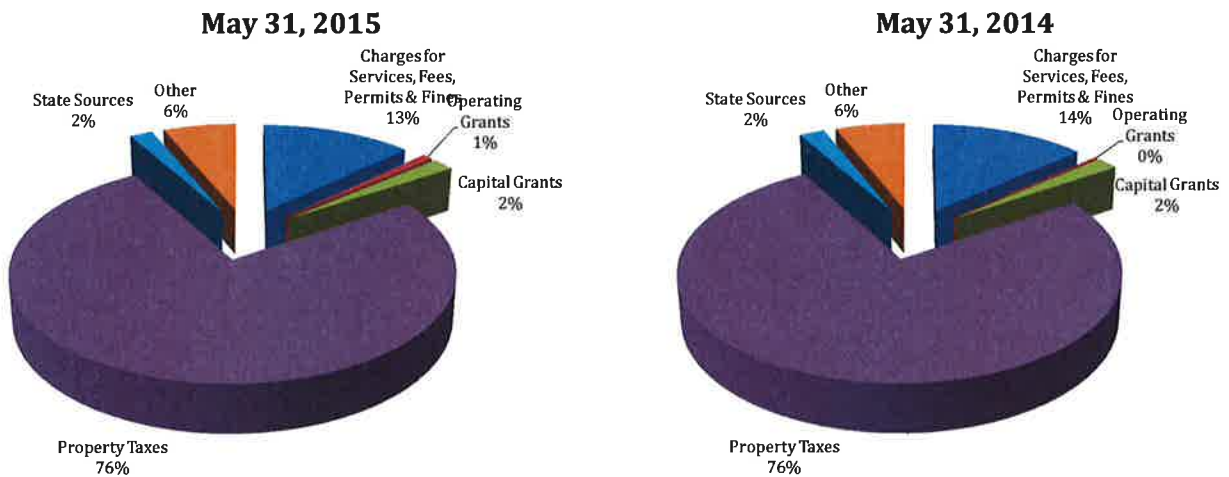
	2015	2014	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
Program Revenues				
Charges for Services, Fees, Permits & Fines	\$ 1,324,667	\$ 1,385,656	\$ (60,989)	(4.40)%
Operating Grants	96,298	16,598	79,700	480.18 %
Capital Grants	193,658	193,376	282	0.15 %
General Revenues				
Property Taxes	7,782,927	7,795,218	(12,291)	(0.16)%
State Sources	201,525	224,164	(22,639)	(10.10)%
Other	646,068	616,176	29,892	4.85 %
Total Revenues	<u>10,245,143</u>	<u>10,231,188</u>	<u>13,955</u>	0.14 %
<b>Expenses</b>				
General Support	2,010,599	2,101,779	(91,180)	(4.34)%
Public Safety	2,651,663	2,688,056	(36,393)	(1.35)%
Health	830	1,790	(960)	(53.63)%
Transportation	1,757,554	1,702,564	54,990	3.23 %
Economic Opportunity & Development	21,347	34,407	(13,060)	(37.96)%
Culture & Recreation	2,068,455	1,836,831	231,624	12.61 %
Home & Community Services	1,184,398	1,128,587	55,811	4.95 %
Debt Service - Interest	460,733	497,290	(36,557)	(7.35)%
Total Expenses	<u>10,155,579</u>	<u>9,991,304</u>	<u>164,275</u>	1.64 %
Increase in Net Position	<u>\$ 89,564</u>	<u>\$ 239,884</u>	<u>\$ (150,320)</u>	(62.66)%

Fiscal 2015 revenues were effectively unchanged compared to 2014. The Village received additional FEMA monies in 2015 resulting from Super Storm Sandy and there were increases in building permits, recreation program fees, and safety inspection fees. However, these revenue increases were offset by decreases in fines and certain non-recurring clerk fees. Real property tax revenue remained flat as there was no change in the tax rate as approved by the Village Board. The Village tax rate has not changed since fiscal 2011.

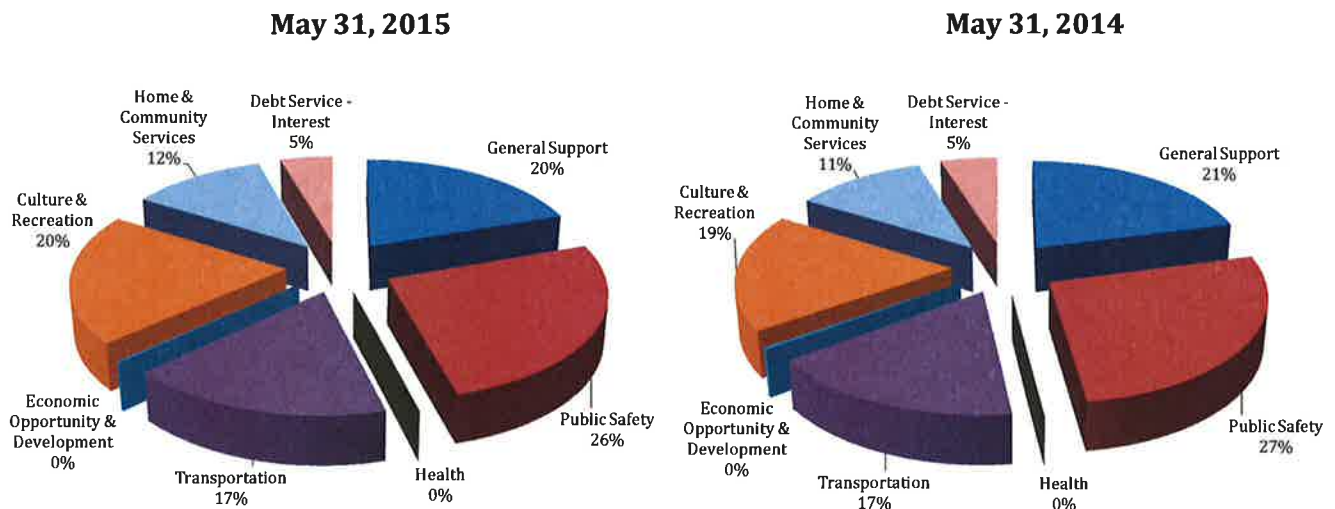
Fiscal 2015 expenses increased \$164,275 (1.64%) over 2014 expenses. The Village was billed \$107,000 by the Town of North Hempstead Solid Waste Management Authority for waste dumping resulting from Super Storm Sandy. A portion of this expense was recovered from FEMA. The Village also sand blasted and painted the community pool at a cost of \$135,000. These two non-recurring expenses were offset by a reduction in claims and judgments of \$111,000.

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

As indicated by the pie charts that follow, real property taxes is the largest component of revenues:



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



#### **4. FINANCIAL ANALYSIS OF THE VILLAGE'S FUND BALANCES**

As noted earlier, the Village uses fund accounting to maintain control over resources and to ensure and demonstrate compliance with finance-related legal requirements. The Village's governmental funds utilize the modified accrual basis of accounting.

At May 31, 2015, the Village's governmental funds reported a combined fund balance of \$9,086,430, which is an increase of \$524,159 over the prior year. A summary of the change in fund balance by fund is as follows:

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

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
<b>General Fund</b>			
Nonspendable: Prepaids	\$ 537,813	\$ 340,425	\$ 197,388
Restricted for Unemployment	15,895	15,888	7
Assigned:			
Appropriated fund balance	1,931,491	2,352,440	(420,949)
Unappropriated fund balance	2,775,552	40,895	2,734,657
Unassigned: Fund balance	<u>3,755,742</u>	<u>5,742,723</u>	<u>(1,986,981)</u>
Total General Fund	9,016,493	8,492,371	524,122
<b>Parklands</b>			
Restricted for Parklands	<u>69,937</u>	<u>69,900</u>	<u>37</u>
 Total Fund Balance	 <u>\$ 9,086,430</u>	 <u>\$ 8,562,271</u>	 <u>\$ 524,159</u>

**A. General Fund**

The general fund – fund balance increased \$524,122 compared to an increase of \$853,507 in 2014 (a net decrease of \$329,385), as revenues of \$10,322,736 exceeded expenditures of \$9,798,614. Revenues increased \$145,781 as certain amounts from state grants that were treated as deferred revenue at May 31, 2014 were received and recognized as revenue in 2015. These grants had been recognized as revenues in 2014 in the government-wide financial statements. Expenditures increased \$475,166. In addition to the pool maintenance and waste dumping costs (which totaled \$242,000) offset by the \$111,000 reduction in claims and judgments as previously discussed, the Village increased expenditures by \$330,000 related to road improvements. Road improvements had been significantly curtailed in 2014 as utility companies were conducting projects that affected Village roads. Expenditures in 2015 for public safety vehicles and DPW equipment were comparable to expenditures in 2014 for the emergency generator purchase and installation.

Nonspendable: Prepaids fund balance is associated with prepaid items at May 31, 2015, which historically consists of prepaid insurance premiums for coverage extending beyond May 31, 2015 and also included a debt service payment due on June 1, 2015. Restricted fund balance for unemployment relates to the Village's reserve for unemployment insurance. Assigned, appropriated fund balance is the amount authorized by the Village Board to be used towards the 2015-16 budget. Assigned, unappropriated fund balance is the amount of outstanding encumbrances at year end and includes significant commitments for road improvements that were started during 2015 and purchases of DPW equipment.

**B. Parkland Fund**

The parkland fund is a special revenue fund and is used to account for special assessments from subdivisions that are specifically restricted for the improvement and conservation of parklands within the Village. The fund had a nominal amount of interest earnings in the 2015 fiscal year.

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

---

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2014-2015 Budget**

The Village's general fund adopted budget for the year ended May 31, 2015, was \$11,739,542. This was an increase of \$569,894 or 5.10% over the prior year's adopted budget. This amount was increased by \$40,895 of encumbrances carried forward from the prior year and a budget revision of \$1,400,000, funded by appropriated fund balance, for a total final budget of \$13,180,437.

The adopted budget was funded through a combination of revenues and appropriated fund balance. The majority of this funding source was \$7,782,699 in estimated real property taxes and \$2,352,440 of appropriated fund balance.

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

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

Opening, Unassigned Fund Balance	\$ 5,742,723
Fund Balance Appropriated for Budget Revision	(1,400,000)
Revenues Over Budget	935,634
Expenditures and Encumbrances Under Budget	606,271
Change in Nonspendable Fund Balance	(197,388)
Increase in Reserve	(7)
Appropriated to Fund the May 31, 2016 Budget	<u>(1,931,491)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 3,755,742</u></u>

**Opening, Unassigned Fund Balance**

The \$5,742,723 shown in the table is the portion of the Village's May 31, 2014 fund balance that was retained as unassigned.

**Fund Balance Appropriated for Budget Revision**

The Village authorized a budget revision for road improvements that was funded by appropriated fund balance.

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

---

Revenues Over Budget

The 2014-2015 budget for revenues was \$9,387,102. The actual revenues received for the year were \$10,322,736. The actual revenue over estimated or budgeted revenue was \$935,634. This variance was primarily from licenses and permits, state aid, federal aid, non-property tax items and departmental income.

Expenditures and Encumbrances Under Budget

The 2014-2015 final budget for expenditures was \$13,180,437. The actual expenditures were \$9,798,614 and open encumbrances were \$2,775,552. The final budget was under expended by \$606,271. Compared to the original budget, the savings were primarily from general support.

Change in Nonspendable Fund Balance

The Village prepaid various insurance premiums and a debt service payment at May 31, 2015. The resulting balance sheet asset (prepaids) cannot be spent because it is not in spendable form, meaning it will not be converted to cash. Accordingly, an equal amount of fund balance is classified as nonspendable. The increase in nonspendable fund balance reduces unassigned fund balance.

Increase in Reserve

The \$7 shown on the previous table represents interest earned by the unemployment reserve and has the effect of decreasing the unassigned fund balance.

Appropriated Fund Balance

The Village has chosen to use \$1,931,491 of the available May 31, 2015, fund balance to partially fund the 2015-16 approved operating budget. As such, the unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary of changes shown on the previous table, the Village will begin the 2015-16 fiscal year with an unassigned fund balance of \$3,755,742.

**6. CAPITAL ASSET AND DEBT ADMINISTRATION**

**A. Capital Assets**

At May 31, 2015, the Village had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation expense (\$1,360,221) in excess of capital asset additions (\$638,124). A summary of the Village's capital assets, net of depreciation at May 31, 2015 and 2014, is as follows:

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

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Capital assets not being depreciated			
Land	\$ 2,520,000	\$ 2,520,000	\$ -
Capital assets being depreciated			
Buildings	318,750	331,250	(12,500)
Site improvements	11,720,003	12,428,285	(708,282)
Machinery and equipment	888,213	844,697	43,516
Infrastructure	<u>8,245,704</u>	<u>8,290,535</u>	<u>(44,831)</u>
	<u>\$ 23,692,670</u>	<u>\$ 24,414,767</u>	<u>\$ (722,097)</u>

Capital asset additions in fiscal 2016 are expected to exceed \$2,700,000.

**B. Debt Administration**

Historically, the Village has issued serial bonds and other forms of debt to fund various capital projects and equipment acquisitions and, to a lesser degree, tax certiorari judgments. A summary of the Village's long-term debt indebtedness at May 31 is summarized as follows:

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Serial bonds	<u>\$ 14,870,000</u>	<u>\$ 16,020,000</u>	<u>\$ (1,150,000)</u>

The Village's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa1. The Village's outstanding serial bonds at May 31, 2015, are approximately 10% of the Village's debt limit.

The Village also has estimated liabilities for compensated absences of \$416,578 for employee unused vacation and sick time and other postemployment benefits for retiree health costs of \$4,123,101 as actuarially determined.

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

**A. Subsequent Year's Budget**

The Board of Trustees approved a \$12,173,723 general fund budget for the year ending May 31, 2016. This is an increase of \$434,181 over the previous year's budget.

The tax levy is expected to increase \$143,392 (1.82%). In compliance with the Village goal of tax containment, the property tax rate remains unchanged from 2011. The tax levy increase results from an increase in assessed property values. Other revenues are estimated to increase \$711,738. Appropriated fund balance was decreased by \$420,949 to balance the budget.

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

---

**B. Future Budgets**

Future budgets will continue to be affected by the economy and rising costs of operations including pressures on costs of employee benefits and further capital improvements.

**C. Tax Cap**

New York law limits the increase in the property tax levy of local governments to the lesser of 2% or the rate of inflation to June 15, 2020. There are additional statutory adjustments in the law. Local governments may override the tax levy limit by first passing a local law that allows for the tax levy limit to be exceeded. The override vote requires a 60% vote of the total voting power of the governing board. Based on the law, the Village's tax levy cap for 2015-16 is 3.26%. The Village's increase of 1.82% in the 2015-16 levy is compliant with the law.

**D. Property Tax Freeze**

New York State recently enacted a law to effectively "freeze" property taxes for two years on the primary residences of homeowners with annual incomes at or below \$500,000 in school districts and local governments that stay within the tax cap. Qualifying homeowners will receive a credit, which will be distributed in the form of a check from New York State, up to the calculated amount of the tax cap. The program also requires the school districts and local governments in the second year to develop or participate in the development of a state approved government efficiency plan that will achieve savings for taxpayers. The law is effective for the Village starting with the 2015-16 fiscal year and homeowners will receive refund checks in the fall of 2015. This program will provide an incentive for the Village to be tax cap compliant.

**8. CONTACTING THE VILLAGE**

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

Ms. Donna Gooch  
Village Clerk/Treasurer  
Incorporated Village of East Hills  
209 Harbor Hill Road  
East Hills, NY 11576

**INCORPORATED VILLAGE OF EAST HILLS**  
**Statement of Net Position**  
May 31, 2015

**ASSETS**

Cash	
Unrestricted	\$ 8,537,866
Restricted	85,832
Receivables	
Taxes receivable	114,498
Accounts receivable	59,206
Due from fiduciary funds	216,832
Due from other governments	260,249
Prepays	537,813
Capital assets	
Not being depreciated	2,520,000
Being depreciated, net of accumulated depreciation	<u>21,172,670</u>
Total Assets	<u>33,504,966</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred charge from advance refunding	<u>580,929</u>
--	----------------

**LIABILITIES**

Payables	
Accounts payable	375,904
Accrued liabilities	316,036
Due to employees' retirement system	64,766
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	1,226,599
Compensated absences payable	138,778
Due and payable after one year	
Bonds payable, net	13,981,643
Compensated absences payable	277,800
Net other postemployment benefits obligation	<u>4,123,101</u>
Total Liabilities	<u>20,504,627</u>

**NET POSITION**

Net investment in capital assets	9,065,357
Restricted for:	
Unemployment	15,895
Parklands	69,937
Unrestricted	<u>4,430,079</u>
Total Net Position	<u>\$ 13,581,268</u>

**INCORPORATED VILLAGE OF EAST HILLS**  
**Statement of Activities**  
For the Year Ended May 31, 2015

	Program Revenues				
	Expenses	Charges for Services, Fees, Permits & Fines	Grants		Governmental Activities
			Operating	Capital	
<b>FUNCTIONS/PROGRAMS</b>					
<b>Governmental Activities</b>					
General support	\$ 2,010,599	\$ 1,085,144	\$	\$	\$ (925,455)
Public safety	2,651,663	117,484			(2,534,179)
Health	830				(830)
Transportation	1,757,554		96,298	193,658	(1,467,598)
Economic opportunity and development	21,347				(21,347)
Culture and recreation	2,068,455	119,809			(1,948,646)
Home and community services	1,184,398	2,230			(1,182,168)
Debt service - interest	460,733				(460,733)
Total Functions and Programs	<u>\$ 10,155,579</u>	<u>\$ 1,324,667</u>	<u>\$ 96,298</u>	<u>\$ 193,658</u>	<u>(8,540,956)</u>
<b>GENERAL REVENUES</b>					
Real property taxes					7,782,927
Other real property tax items					201,438
Nonproperty taxes					362,453
Use of money and property					12,105
Minor sales and compensation for loss					37,542
Miscellaneous					32,530
State sources					201,525
Total General Revenues					<u>8,630,520</u>
Change in Net Position					89,564
Total Net Position - Beginning of year					<u>13,491,704</u>
Total Net Position - End of year					<u>\$ 13,581,268</u>

**INCORPORATED VILLAGE OF EAST HILLS**  
**Balance Sheet - Governmental Funds**  
May 31, 2015

	General	Parkland	Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Cash				
Unrestricted	\$ 8,528,363	\$	\$ 9,503	\$ 8,537,866
Restricted	15,895	69,937		85,832
Receivables				
Taxes receivable	114,498			114,498
Accounts receivable	59,206			59,206
Due from other funds	226,335			226,335
Due from state and federal	260,249			260,249
Prepays	537,813			537,813
Total Assets	<u>\$ 9,742,359</u>	<u>\$ 69,937</u>	<u>\$ 9,503</u>	<u>\$ 9,821,799</u>
<b>LIABILITIES</b>				
Payables				
Accounts payable	\$ 375,904	\$	\$	\$ 375,904
Accrued liabilities	175,985			175,985
Due to other funds			9,503	9,503
Due to employees' retirement system	64,766			64,766
Total Liabilities	<u>616,655</u>	<u>-</u>	<u>9,503</u>	<u>626,158</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Resources not available for current use and are for subsequent year	<u>109,211</u>			<u>109,211</u>
Total Deferred Inflows of Resources	<u>109,211</u>	<u>-</u>	<u>-</u>	<u>109,211</u>
<b>FUND BALANCES</b>				
Nonspendable: Prepays	537,813			537,813
Restricted for:				
Unemployment	15,895			15,895
Parklands		69,937		69,937
Assigned:				
Appropriated fund balance	1,931,491			1,931,491
Unappropriated fund balance	2,775,552			2,775,552
Unassigned: Fund balance	3,755,742			3,755,742
Total Fund Balances	<u>9,016,493</u>	<u>69,937</u>	<u>-</u>	<u>9,086,430</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,742,359</u>	<u>\$ 69,937</u>	<u>\$ 9,503</u>	<u>\$ 9,821,799</u>

**INCORPORATED VILLAGE OF EAST HILLS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
May 31, 2015

Total Governmental Fund Balances	\$ 9,086,430
----------------------------------	--------------

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

Some of the Village's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds.	109,211
---	---------

Deferred charge from advanced refunding is not reported in the Balance Sheet, but is reflected in the Statement of Net Position and amortized over the life of the related debt.	580,929
--	---------

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

Original cost of capital assets	\$ 35,433,280	
Accumulated depreciation	<u>(11,740,610)</u>	23,692,670

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

Accrued interest on bonds payable	(140,051)	
Bonds payable and unamortized premium	(15,208,242)	
Compensated absences payable	(416,578)	
Net other postemployment benefits obligation	<u>(4,123,101)</u>	<u>(19,887,972)</u>

Total Government-wide Net Position	<u><u>\$ 13,581,268</u></u>
------------------------------------	-----------------------------

**INCORPORATED VILLAGE OF EAST HILLS**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
For the Year Ended May 31, 2015

	General	Parkland	Capital Projects	Total Governmental Funds
<b>REVENUES</b>				
Real property taxes	\$ 7,755,558	\$	\$	\$ 7,755,558
Other real property tax items	201,438			201,438
Nonproperty taxes	362,453			362,453
Departmental income	338,472			338,472
Use of money and property	12,068	37		12,105
Licenses and permits	662,774			662,774
Fines and forfeitures	323,420			323,420
Minor sales and compensation for loss	37,542			37,542
Miscellaneous	32,530			32,530
State aid	500,183			500,183
Federal aid	96,298			96,298
<b>Total Revenues</b>	<b>10,322,736</b>	<b>37</b>	<b>-</b>	<b>10,322,773</b>
<b>EXPENDITURES</b>				
General support	1,593,891			1,593,891
Public safety	1,909,984			1,909,984
Health	830			830
Transportation	1,158,257			1,158,257
Economic opportunity and development	21,347			21,347
Culture and recreation	1,093,966			1,093,966
Home and community services	864,265			864,265
Employee benefits	1,573,195			1,573,195
Debt service				
Principal	1,150,000			1,150,000
Interest	432,879			432,879
<b>Total Expenditures</b>	<b>9,798,614</b>	<b>-</b>	<b>-</b>	<b>9,798,614</b>
<b>Net Changes in Fund Balances</b>	<b>524,122</b>	<b>37</b>	<b>-</b>	<b>524,159</b>
<b>Fund Balances - Beginning of year</b>	<b>8,492,371</b>	<b>69,900</b>		<b>8,562,271</b>
<b>Fund Balances - End of year</b>	<b>\$ 9,016,493</b>	<b>\$ 69,937</b>	<b>\$ -</b>	<b>\$ 9,086,430</b>

**INCORPORATED VILLAGE OF EAST HILLS**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Statement of Activities**  
For the Year Ended May 31, 2015

Net Change in Fund Balance	\$ 524,159
----------------------------	------------

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

Long-Term Revenue and Expense Differences

In the Statement of Activities, certain operating revenues are measured by the amounts earned during the year. In the governmental funds, however, revenue for these items are measured by the amount of financial resources provided (essentially, the amounts actually received).

Change in deferred inflows of resources	(77,630)
---	----------

In the Statement of Activities, certain operating expenses - do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental funds.

Increase in compensated absences payable	\$ (33,628)	
Increase in net other postemployment benefits obligation	(723,386)	(757,014)

Capital Related Differences

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceeded capital outlays in the period.

Capital outlays	638,124	
Depreciation expense	(1,360,221)	(722,097)

Long-Term Debt Transaction Differences

Governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	55,351
--	--------

Governmental funds report the effect of advance refunding bond charges when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	(95,064)
--	----------

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	1,150,000
---	-----------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from May 31, 2014 to May 31, 2015.	11,859
---	--------

Change in Net Position of Governmental Activities	\$ 89,564
---	-----------

**INCORPORATED VILLAGE OF EAST HILLS**  
**Statement of Fiduciary Net Position -**  
**Fiduciary Funds**  
May 31, 2015

	Agency Fund
	<hr/>
<b>ASSETS</b>	
Cash	\$ 731,399
Service award program assets	<hr/> 3,046,028
	<hr/> <b>\$ 3,777,427</b> <hr/>
 <b>LIABILITIES</b>	
Due to other funds	\$ 216,832
Other liabilities	514,567
Service awards	<hr/> 3,046,028
	<hr/> <b>\$ 3,777,427</b> <hr/>

**INCORPORATED VILLAGE OF EAST HILLS  
NOTES TO FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Financial Reporting Entity**

The Village is governed by Village law and other general laws of the State of New York. 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 basic services that the Village provides are general support, public safety (fire protection, safety inspections and security patrol), health, transportation (street maintenance and snow removal), economic assistance and opportunity, culture and recreation (community park, pool and activities), and home and community service (sanitation services).

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

The reporting entity is the primary government, the Village, as well as component units and other organizational entities determined to be includable in the Village's financial reporting entity, based on the nature and significance of their relationship with the Village and criteria set forth by GASB. These criteria include legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no other entities which would be included in the Village's reporting entity.

**B. Basis of Presentation**

**Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities present information about the overall financial activities of the Village, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions.

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

**Fund Financial Statements**

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

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

**Governmental Funds** - are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the Village's major governmental funds:

**General Fund** - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

**Special Revenue Fund** - is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Parkland Fund** - is used to account for special assessments from subdivisions that are specifically restricted for the improvement and conservation of parklands within the Village.

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

**Fiduciary Funds** - are used to account for funds held by the Village in the capacity of trustee, custodian, or agent. These funds are not included in the government-wide financial statements because the resources do not belong to the Village and are not available to be used. Funds held by the Village represent various guarantee deposits and net resources available for benefits of the Roslyn Volunteer Firefighter Service Award Program.

**Agency Funds** - These funds are strictly custodial in nature and do not involve the measurement of results of operations.

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

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

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the agency have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, pension costs and other postemployment benefits, which are recognized as expenditures to the extent they have

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**D. Real Property Taxes**

Real property taxes are levied no later than May 15 and become a lien on June 1. The Village collects its own taxes. Taxes are collected during the month of June without penalty. A 5% penalty is assessed on taxes paid after July 1, and an additional 1% is assessed each month on taxes paid after July. Unpaid Village taxes can be collected through tax sales.

**E. Restricted Resources**

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

**F. Interfund Transactions**

The operations of the Village include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The Village typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

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

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

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

**G. 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences, other postemployment benefits, potential contingent liabilities and useful lives of long-lived assets.

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

**H. Cash and Cash Equivalents/Investments**

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

Investments are recorded at fair value based on quoted market prices.

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

**I. Receivables**

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

**J. Inventories and Prepaid Items**

Purchases of inventorable items are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

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

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

**K. Capital Assets**

Capital assets are reflected in the government-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at estimated fair market value at the date of donation. As permitted by GASB, the Village did not include infrastructure assets placed in service prior to June 1, 2004.

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

	<u>Capital Threshold</u>	<u>Estimated Useful Life</u>
Buildings	\$ 1,000	40-50 years
Site improvements	1,000	20-50 years
Machinery and equipment	1,000	3-15 years
Infrastructure	1,000	25-50 years

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

**L. Deferred Outflows of Resources**

Deferred outflows of resources represents the unamortized amount of deferred charges from the 2012 refunding of bonds that is being amortized as a component of interest expense on a weighted average basis of the outstanding bond balance over the remaining maturity of the bonds.

**M. Deferred Inflows of Resources**

Deferred inflows of resources are acquisitions of resources by the Village that are applicable to a future reporting period. Deferred inflows of resources are also reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. In subsequent periods, when the availability criterion is met, these deferred inflows are reclassified as revenues.

**N. Compensated Absences**

Vacation eligibility and accumulation is specified in the Village's personnel manual, individual employment contracts or collective bargaining agreement. Some earned benefits may be forfeited if not taken within varying time periods.

Sick leave eligibility and accumulation is specified in the Village's personnel manual, individual employment agreements or collective bargaining agreement. Upon retirement, resignation or death, employees may be eligible to receive the value of unused accumulated sick leave subject to certain maximum limitations and is calculated using the vesting method.

The compensated absence liability is reported on the government-wide Statement of Net Position. A liability for these amounts is recorded in the Balance Sheet to the extent payments become due because of employee retirement or resignation. The compensated absences liability is calculated based on the pay rates in effect at year end.

**O. Other Benefits**

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

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

The Village provides health insurance coverage for active employees pursuant to the Village's personnel manual, individual employment contracts or collective bargaining agreements.

In addition to providing pension benefits, the Village provides postemployment health insurance coverage and survivor benefits for retired employees and their survivors. The Village's personnel manual, individual employment agreements and collective bargaining agreements determine if Village employees are eligible for these benefits if they reach normal retirement age while working for the Village. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the Village and the retired employee. The Village recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the general fund as the liabilities for premiums mature (come due for payment). In the government-wide statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting.

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

The Village is one of ten municipalities that jointly sponsor the Roslyn Volunteer Firefighter Service Award Program, which provides a defined benefit Service Award Program for volunteer firefighters of the Roslyn Highlands Hook & Ladder, Engine & Hose Company, Inc. and the Rescue Hook & Ladder Company No. 1.

**P. Short-Term Debt**

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

**Q. Equity Classifications**

Government-Wide Statements

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

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

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

*Unrestricted* – Reports all other amounts that do not meet the definition of the above two classifications and are deemed to be available for general use by the Village.

Fund Statements

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

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

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

*Reserve for Unemployment*

This reserve is used to accumulate monies pursuant to General Municipal Law, Section 6-M to pay the cost of reimbursement to the State Unemployment Insurance Fund. The reserve is accounted for in the general fund.

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

*Reserve for Parklands*

This reserve is used to accumulate monies reserved pursuant to Village law to be used for park, playground or other recreational purposes. The reserve is accounted for in the parkland fund.

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

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

Fund Balance Classification

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

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

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

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

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

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

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

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

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

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories.

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

**3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The Village's management submits a proposed budget for approval by the Board of Trustees for the general fund, the only fund with a legally adopted budget. Budgets are adopted annually on a basis consistent with GAAP. The tentative budget includes proposed expenditures and the proposed means of financing for the general fund. A public hearing is held on the tentative budget by April 15. After completion of the budget hearing, the Board of Trustees may further change the tentative budget. Such budget, as so revised, shall be adopted by resolution no later than May 1. All subsequent modifications of the budget must be approved by the Board of Trustees.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Trustees as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balances. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. During the year ended May 31, 2015, the general fund's adopted budget was revised as follows:

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

Adopted budget	\$ 11,739,542
Encumbrances from prior year	<u>40,895</u>
Original Budget	11,780,437
Appropriation for roadwork funded by fund balance	<u>1,400,000</u>
Final budget	<u><u>\$ 13,180,437</u></u>

**B. Encumbrances**

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

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

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

Custodial credit risk is the risk that in the event of a bank failure the Village may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

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

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

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

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**5. CAPITAL ASSETS**

Capital asset balances and activity for the year ended May 31, 2015, were as follows:

	Balance May 31, 2014	Additions	Reductions	Balance May 31, 2015
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,520,000	\$	\$	\$ 2,520,000
Total capital assets not being depreciated	<u>2,520,000</u>	<u>-</u>	<u>-</u>	<u>2,520,000</u>
Capital assets being depreciated				
Buildings	500,000			500,000
Site improvements	18,245,563	24,325		18,269,888
Machinery and equipment	3,641,835	248,173	(303,630)	3,586,378
Infrastructure	10,191,388	365,626		10,557,014
Total capital assets being depreciated	<u>32,578,786</u>	<u>638,124</u>	<u>(303,630)</u>	<u>32,913,280</u>
Less accumulated depreciation for:				
Buildings	168,750	12,500		181,250
Site improvements	5,817,278	732,607		6,549,885
Machinery and equipment	2,797,138	204,657	(303,630)	2,698,165
Infrastructure	1,900,853	410,457		2,311,310
Total accumulated depreciation	<u>10,684,019</u>	<u>1,360,221</u>	<u>(303,630)</u>	<u>11,740,610</u>
Total capital assets being depreciated, net	<u>21,894,767</u>	<u>(722,097)</u>	<u>-</u>	<u>21,172,670</u>
Capital assets, net	<u>\$ 24,414,767</u>	<u>\$ (722,097)</u>	<u>\$ -</u>	<u>\$ 23,692,670</u>

Depreciation expense was allocated to governmental functions as follows:

General support	\$ 79,921
Public safety	14,042
Transportation	474,045
Culture and recreation	766,009
Home and community service	<u>26,204</u>
	<u>\$ 1,360,221</u>

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**6. INTERFUND TRANSACTIONS**

Interfund balances and activities at May 31, 2015, are as follows:

	Interfund	
	Receivable	Payable
General Fund	\$ 226,335	\$
Capital Projects Fund		9,503
Fiduciary Funds		216,832
Total	<u>\$ 226,335</u>	<u>\$ 226,335</u>

All interfund balances are expected to be repaid.

**7. SHORT-TERM DEBT**

The Village had no short-term debt outstanding during the fiscal year.

**8. LONG-TERM DEBT**

**A. Changes**

The changes in the Village's long-term indebtedness for bonds payable and compensated absences during the year ended May 31, 2015 are as follows:

	Balance May 31, 2014	Additions	Reductions	Balance May 31, 2015	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 16,020,000	\$	\$ (1,150,000)	\$ 14,870,000	\$ 1,175,000
Add: Unamortized premium	393,593		(55,351)	338,242	51,599
	<u>16,413,593</u>		<u>(1,205,351)</u>	<u>15,208,242</u>	<u>1,226,599</u>
Other long-term liabilities:					
Compensated absences	<u>382,950</u>	<u>33,628</u>		<u>416,578</u>	<u>138,778</u>
	<u>\$ 16,796,543</u>	<u>\$ 33,628</u>	<u>\$ (1,205,351)</u>	<u>\$ 15,624,820</u>	<u>\$ 1,365,377</u>

The general fund has typically been used to liquidate long-term liabilities.

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**B. Serial Bonds**

Serial bonds are comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at May 31, 2015
Public Improvement - Various	5/18/2006	5/15/2021	4.25 - 4.50%	\$ 480,000
Public Improvement - Various	5/28/2009	5/15/2024	2.00 - 3.625%	3,410,000
Public Improvement - Park Refunding	2/2/2012	12/1/2026	2.00 - 4.00%	10,980,000
				<u>\$ 14,870,000</u>

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

Fiscal Year Ending May 31,	Principal	Interest	Total
2016	\$ 1,175,000	\$ 399,069	\$ 1,574,069
2017	1,220,000	364,481	1,584,481
2018	1,255,000	334,900	1,589,900
2019	1,285,000	296,150	1,581,150
2020	1,350,000	247,950	1,597,950
2020-2024	6,515,000	697,175	7,212,175
2025-2027	2,070,000	72,825	2,142,825
Total	<u>\$ 14,870,000</u>	<u>\$ 2,412,550</u>	<u>\$ 17,282,550</u>

**C. Advance Refunding**

In 2012, the Village advance refunded serial bonds, resulting in a deferred charge and a refunding bond premium, which are being amortized as a component of interest expense on a weighted average basis of the outstanding bond balance in the government-wide statements as follows:

Fiscal Year Ending May 31,	Amortization of Deferred Charges	Amortization of Premium	Net Revenue (Expense)
2016	\$ (88,620)	\$ 51,599	\$ (37,021)
2017	(81,989)	47,737	(34,252)
2018	(75,189)	43,779	(31,410)
2019	(68,223)	39,722	(28,501)
2020	(60,984)	35,508	(25,476)
2021-2025	(188,476)	109,738	(78,738)
2026-2027	(17,448)	10,159	(7,289)
Total	<u>\$ (580,929)</u>	<u>\$ 338,242</u>	<u>\$ (242,687)</u>

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

**D. Interest Expense**

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

Interest paid	\$ 432,879
Less interest accrued in the prior year	(151,910)
Plus interest accrued in the current year	140,051
Plus amortization of deferred charge from advance refunding	95,064
Less amortization of bond premium	<u>(55,351)</u>
Total interest expense on long-term debt	<u>\$ 460,733</u>

**E. Debt Limit**

The Village's outstanding serial bonds payable represent approximately 10% of the Village's debt limit at May 31, 2015.

**F. Unissued Debt**

On May 24, 2010, the Board authorized the issuance of up to \$1,300,000 in serial bonds for Village roads. No debt was issued as of May 31, 2015.

**9. PENSION PLANS**

**A. Pension Plan – New York State**

Plan Description

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

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 NYSERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the NYSERS and for the custody and control of its funds. The NYSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

Funding Policy

Plan members who joined the system before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

salaries paid. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the NYSERS' fiscal year ending March 31.

The Village's share of the required contributions for the current year and two preceding years was:

<u>Year</u>	<u>Contribution</u>
2015	\$ 385,164
2014	446,344
2013	393,248

The Village contributions made to the system were equal to 100% of the contributions required for each year.

**B. Deferred Compensation Plan**

The Village has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The Village makes no contributions into this Plan. The amount deferred by eligible employees for the year ended May 31, 2015 totaled \$102,761.

**C. Pension Plan – Service Award Program**

The Village is one of ten municipalities which jointly sponsor the Roslyn Volunteer Firefighter Service Award Program: The Towns of North Hempstead and Oyster Bay, and the Villages of Brookville, East Hills, Flower Hill, North Hills, Old Westbury, Roslyn, Roslyn Estates and Roslyn Harbor. The information in this footnote is based on information for the Length of Service Awards Program for the plan year ended December 31, 2014, which is the most recent program year for which complete information is available.

**Length of Service Awards Program - LOSAP**

The ten municipalities mentioned above jointly established a defined benefit Service Award Program (referred to as a "LOSAP" - length of service award program - under Section 457(e)(11) of the Internal Revenue Code) effective January 1, 1996 for the active volunteer firefighter members of the Roslyn Highlands Hook & Ladder, Engine & Hose Company, Inc. and the Rescue Hook & Ladder Company No. 1. The program was established pursuant to Article 11-A of the New York State General Municipal Law. The program provides municipally-funded deferred compensation to volunteer firefighters to facilitate the recruitment and retention of active volunteer firefighters. The ten municipalities jointly sponsor and fund the program and the Joint Sponsoring Board is the program administrator.

**Program Description**

Under the program, participating volunteers begin to be paid a service award upon attainment of the program "entitlement age". The amount of the service award paid to a volunteer is based upon the number of years of service credit the volunteer earned under the program for performing active volunteer firefighter activities.

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

**Participation, Vesting, and Service Credit**

Active volunteer firefighters who have reached the age of 18, have completed probation, and who have completed one year of firefighting service are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with five (5) years of firefighting service or upon attaining the program's entitlement age while an active volunteer. The program's entitlement age is age 62. An active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain firefighter activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for five (5) years of active volunteer firefighting service rendered prior to the establishment of the program as an active volunteer firefighter member of either fire company.

**Benefits**

A participant's service award benefit is paid as a ten year certain and continuous monthly payment life annuity. The amount payable each month equals \$20 multiplied by the total number of years of service credit earned by the volunteer under the point system. The maximum number of years of service credit a participant may earn is 30 years under the program. Currently, there are no other forms of payment of a volunteer's earned service award under the Program. Except in the case of death or total and permanent disablement, service awards commence to be paid when a participant attains the entitlement age. Volunteers who continue to be active after attaining the entitlement age and beginning to be paid a service award continue to have the opportunity to earn program credit and to thereby increase their service award payments. The program provides death and disability benefits equal to the actuarial value of the participant's earned service award at the time of death or disablement (the minimum death benefit payable is \$10,000 if the participant was an active volunteer firefighter member at death). The program does not provide extra line-of-duty death or disability benefits. All death and disability benefits are "self insured" and are paid from the program trust fund.

**Fiduciary Investment and Control**

After the end of each calendar year, each fire company prepares and certifies a list of names of all persons who were active volunteer members of the fire company during the year indicating which volunteers earned fifty points. Each certified list is delivered to the Joint Sponsoring Board for the Board's review and approval. The fire companies must maintain the point system records to verify each volunteer's points on forms provided and/or approved by the Joint Sponsoring Board.

The Joint Sponsoring Board has also retained Penflex, Inc. to assist in the administration of the program. The services provided by Penflex, Inc. are described in an agreement between Penflex, Inc. (Penflex) and the Joint Sponsoring Board.

Based on the certified calendar year volunteer firefighter listings Penflex determines and certifies in writing to the representative of the Joint Sponsoring Board the amount of the service award to be paid to a participant or to a participant's designated beneficiary. As authorized by the Joint Sponsoring Board, Penflex then directs the paying agent to pay the service award. No service award benefit payment is made without the written certification from Penflex and written certification to the Joint Sponsoring Board.

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

Penflex bills the Joint Sponsoring Board for the services it provides. Penflex's invoices are authorized for payment by the Joint Sponsoring Board in the same manner as any other invoice presented to the Board for payment. The Board pays Penflex invoices from the Service Award Program trust fund (the ten participating municipalities collectively reimburse the trust fund for administrative fees paid).

Program assets are required to be held in trust by Article 11-A, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program. The Joint Sponsoring Board created a Service Award Program Trust Fund through the adoption of a Service Award Program Trust Document and the Intermunicipal Agreement. The Joint Sponsoring Board is the program trustee.

Authority to invest the program assets is vested in the program trustee. Program assets are invested in accordance with a statutory prudent person rule and in accordance with written investment policy statement adopted by the Joint Sponsoring Board.

The Joint Sponsoring Board has retained RBC Wealth Management to provide investment management and custodial services and Comerica Bank as paying agent (i.e., to pay benefits to participants).

The Joint Sponsoring Board is required to retain an actuary to determine the amount of the ten (10) municipalities' contributions to the plan. The actuarial firm retained by the Joint Sponsoring Board for this purpose is Penflex, Inc. Portions of the following information are derived from a report prepared by the actuary dated October 1, 2015.

**Program Financial Condition**

**Assets and Liabilities**

Actuarial Present Value of Accrued Service Awards as of 12/31/14		\$ 3,459,602
Less: Assets Available for Benefits		
Cash and Money Market	\$ 547,268	
U.S. Equities	300,961	
International Equities	308,085	
Fixed Income	464,644	
Mixed Assets	1,252,886	
Other Assets	160,460	
Interest Receivable	204	
Benefits Payable	<u>11,520</u>	
Total Net Assets Available for Benefits		<u>3,046,028</u>
Total Unfunded Benefits		413,574
Less: Unfunded Liability for Separately Amortized Costs		<u>(131,150)</u>
Unfunded Normal benefits		<u>\$ 282,424</u>

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**Separately Amortized Costs**

The unfunded retroactive liability for additional service awards earned after attainment of the entitlement age has been amortized and paid. The unfunded liability for additional service awards earned after attainment of the entitlement age is being amortized over 5 years at 6% from the year they are accrued.

**Receipts and Disbursements**

Plan Net Assets, Beginning of Year	\$ 3,010,570
Changes During the Year:	
+ Sponsor contributions	189,722
+ Interest & dividends	138,890
- Change in investment income receivable	(341)
+/- Changes in fair market value of investments	(116,972)
- Investment expense	(22,572)
- Administrative, Actuarial Fees	(17,569)
- Benefits Paid/Payable	(136,900)
+ Change in liabilities payable	1,200
	<u>\$ 3,046,028</u>
Plan Net Assets, End of Year	

**Contributions:**

Amount of Contributions Recommended by Actuary:	\$ 189,722
Amount of Actual Contributions:	\$ 189,722

**Total Contributions Made by Each Municipality for 2014 Program Year**

	Allocated 12/31/2014 Trust Fund Contribution	Date Contribution Made
Village of Brookville	\$ 2,002	7/16/2014
Village of East Hills	51,351	7/21/2014
Village of Flower Hill	13,347	7/10/2014
Village of North Hills	3,229	7/21/2014
Village of Old Westbury	33,336	7/29/2014
Village of Roslyn	27,863	7/18/2014
Village of Roslyn Estates	11,415	7/17/2014
Village of Roslyn Harbor	4,753	7/23/2014
Town of Oyster Bay	1,726	11/10/2014
Town of North Hempstead	40,700	8/11/2014
	<u>\$ 189,722</u>	
Total		

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

**Administration Fees**

Fees Paid for Investment Management	\$ 22,572
Fees Paid for Administrative/Actuarial Services	9,870
Fees Paid for Accounting Services	6,500
Other Administrative Fees	1,199

*Information on investment management fees provided by David Rogers of RBC Wealth Management shows that the average expense ratio for the mutual funds purchased with program assets was 0.80% of the mutual fund balances during 2014. Although investment commissions may have been paid on other program assets, there were no investment fees paid on other invested program assets. All questions about program investments should be directed to David Rogers of RBC Wealth Management at [dave.rogers@rbc.com](mailto:dave.rogers@rbc.com) (518) 432-5083.*

**Funding Methodology and Actuarial Assumptions**

**Normal Costs**

The actuarial valuation methodology used by the actuary to determine the sponsor's contribution is the Attained Age Normal Frozen Initial Liability method. The assumptions used by the actuary to determine the sponsor's contribution and the actuarial present value of benefits are:

Assumed Rate of Return on Program Investments      6%

Tables Used For:

Post Entitlement Age Mortality:	1994 Uninsured Pensioner Male Mortality Table Projected with Scale AA to 2007
*Pre Entitlement Age Mortality:	None
*Pre Entitlement Age Disability:	None
*Pre Entitlement Age Withdrawal:	None
*Pre Entitlement Age Service Credit Accruals:	100%

\*For program cost calculation purposes, all pre-entitlement age active volunteer firefighter participants are assumed to: survive to the entitlement age; remain active and earn 50 points each year; and, begin to be paid service awards upon attainment of the entitlement age.

**10. POSTEMPLOYMENT BENEFITS**

**A. Plan Description**

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

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**B. Funding Policy**

The Village assumes its share of the premiums and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as the liabilities for premiums mature (come due for payment). Currently, there is no provision in the law to permit the Village to fund other postemployment benefits by any means other than the "pay as you go" method.

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

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

Annual required contribution (ARC)	\$ 934,338
Interest on net OPEB obligation	118,990
Adjustment to ARC	<u>(136,453)</u>
Annual OPEB cost (expense)	916,875
Contributions made	<u>(193,489)</u>
Increase in net OPEB obligation	723,386
Net OPEB obligation - beginning of year	<u>3,399,715</u>
Net OPEB obligation - end of year	<u><u>\$ 4,123,101</u></u>

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended May 31, 2015 and the preceding two years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
May 31, 2015	\$ 916,875	21.10%	\$ 4,123,101
May 31, 2014	920,737	18.36%	3,399,715
May 31, 2013	898,428	12.81%	2,647,982

**D. Funded Status and Funding Progress**

The valuation of May 31, 2015 is an update derived from estimates from the May 31, 2013 actuarial valuation, based on the fact that there were no material changes to any benefit packages and cost-sharing structures or the census information.

As of May 31, 2013, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$6,318,400 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,318,400. The covered payroll (annual payroll of active employees covered by the plan) was \$2,151,249, and the ratio of the UAAL to the covered payroll was 293.71%.

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

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

**E. Actuarial Methods and Assumptions**

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

In the May 31, 2013, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 3.5% discount rate and an annual healthcare cost trend rate of 9.0% initially, reduced by decrements to an ultimate rate of 4.7% after ten years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis over 27 years.

**11. COMMITMENTS AND CONTINGENCIES**

**A. Encumbrances**

All encumbrances are classified as either restricted or assigned fund balance. At May 31, 2015, the Village encumbered the following assigned, unappropriated amounts:

General Fund	
General Support	
Boiler installation	\$ 8,750
Furniture	20,976
Transportation	
Drainage	32,775
Roadwork	2,001,048
Equipment	545,103
Home and Community Services	
Equipment	<u>166,900</u>
	<u>\$ 2,775,552</u>

**INCORPORATED VILLAGE OF EAST HILLS**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

---

**B. Risk Management**

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; and natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

**C. Certiorari Proceedings**

From time to time, the Village is involved in certiorari proceedings under which taxpayers seek reduction in the assessed value of property upon which taxes are measured. A reduction in assessed valuation may result in a refund of real property taxes previously paid by the claimant. It is not possible to estimate the amount of refunds, if any, the Village may be required to make for taxes collected through May 31, 2015, which could affect future operating budgets of the Village.

**D. Litigation**

Certain legal actions are pending against the Village and are being handled by the Village's insurance carrier. The Village believes any exposure to the Village outside its insurance protection would not be material.

**E. Grants**

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

**12. SUBSEQUENT EVENT**

The Village has evaluated subsequent events occurring after the Statement of Net Position date through November 6, 2015, which is the date the financial statements were available to be issued, noting no matters requiring disclosure.

**INCORPORATED VILLAGE OF EAST HILLS**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
For the Year Ended May 31, 2015

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
Real Property Taxes	\$ 7,782,699	\$ 7,782,699	\$ 7,755,558	\$ (27,141)
Other Real Property Tax Items				
Other payments in lieu of taxes	148,525	148,525	163,109	14,584
Interest and penalties on real property taxes			38,329	38,329
Total Other Real Property Tax Items	148,525	148,525	201,438	52,913
Non-Property Tax Items				
Non-property tax distribution	19,325	19,325	38,650	19,325
Utilities gross receipts tax	115,000	115,000	132,176	17,176
Franchise fees	132,000	132,000	191,627	59,627
Total Non-Property Tax Items	266,325	266,325	362,453	96,128
Departmental Income				
Clerk fees	45,000	45,000	32,251	(12,749)
Safety inspection fees	80,000	80,000	117,484	37,484
Pool admission charges	12,000	12,000	18,256	6,256
Concession	31,250	31,250	31,351	101
Special recreation	30,500	30,500	70,202	39,702
Zoning board fees	47,000	47,000	66,698	19,698
Planning board fees	1,000	1,000	-	(1,000)
Refuse and garbage	2,500	2,500	2,230	(270)
Total Departmental Income	249,250	249,250	338,472	89,222
Use of Money and Property				
Interest and earnings	6,000	6,000	12,068	6,068
Licenses and Permits				
Business and occupational licenses	45,000	45,000	60,407	15,407
Permits	343,750	343,750	602,367	258,617
Total Licenses and Permits	388,750	388,750	662,774	274,024
Fines and Forfeitures				
Fines and forfeitures	250,000	250,000	323,420	73,420
Minor Sales and Compensation for Loss				
Minor sales			13,216	13,216
Insurance recoveries			24,326	24,326
Total Minor Sales and Compensation for Loss	-	-	37,542	37,542
Miscellaneous				
Other unclassified revenue	25,000	25,000	32,530	7,530
State Aid				
Revenue sharing	34,158	34,158	34,158	-
Mortgage tax	100,000	100,000	159,973	59,973
NYS grants	-	-	112,394	112,394
Consolidated highway aid	136,395	136,395	193,658	57,263
Total State Aid	270,553	270,553	500,183	229,630
Federal Aid				
Emergency disaster assistance	-	-	96,298	96,298
Total Revenues	9,387,102	9,387,102	10,322,736	\$ 935,634
<b>APPROPRIATED FUND BALANCE</b>				
Prior years' surplus	2,352,440	3,752,440		
Prior year's encumbrances	40,895	40,895		
	\$ 11,780,437	\$ 13,180,437		

**INCORPORATED VILLAGE OF EAST HILLS**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund (Continued)**  
For the Year Ended May 31, 2015

	Original Budget	Final Budget	Actual	Encumbrances	Final Budget Variance with Actual
<b>EXPENDITURES</b>					
General Support					
Legislative board					
Personal services	\$ 91,608	\$ 92,427	\$ 92,427	\$	\$ -
Contractual services	9,500	8,681	1,256		7,425
Village court					
Personal services	65,000	66,742	66,645		97
Equipment	3,000	3,000	-		3,000
Contractual services	39,000	37,258	26,934		10,324
Mayor					
Personal services	60,000	60,000	60,000		-
Contractual services	1,000	1,000	647		353
Auditor					
Contractual services	58,000	58,000	43,350		14,650
Budget					
Contractual services	825	825	-		825
Assessment					
Contractual services	37,100	37,100	26,143		10,957
Tax advertising					
Contractual services	500	500	153		347
Fiscal agent					
Contractual services	5,000	6,150	6,150		-
Clerk					
Personal services	362,000	310,589	263,901		46,688
Equipment	20,000	20,000	19,930		70
Contractual services	50,000	51,411	51,411		-
Law					
Contractual services	415,000	315,000	270,977		44,023
Engineer					
Contractual services	60,000	20,000	15,464		4,536
Election					
Contractual services	6,200	6,200	5,167		1,033
Operation of buildings					
Equipment	183,220	65,220	40,558	20,976	3,686
Contractual services	399,500	407,500	372,659	8,750	26,091
Unallocated insurance					
Contractual services	200,000	216,337	209,542		6,795
Municipal association dues					
Contractual services	7,000	7,000	5,497		1,503
Judgments and claims					
Contractual services	490,000	6,247	6,247		-
MTA payroll tax					
Contractual services	12,000	12,000	8,833		3,167
Contingent account					
Contractual services	100,000	-	-		-
Total General Support	<u>2,675,453</u>	<u>1,809,187</u>	<u>1,593,891</u>	<u>29,726</u>	<u>185,570</u>
Public Safety					
Traffic control					
Contractual services	6,000	6,000	4,398		1,602
Fire protection					
Contractual services	980,498	980,498	939,770		40,728
Safety inspections					
Personal services	350,000	350,000	331,527		18,473
Equipment	30,000	30,000	27,000		3,000
Contractual services	25,000	25,000	19,013		5,987
Security patrol					
Personal services	530,000	540,661	482,125		58,536
Equipment	60,000	77,530	77,530		-
Contractual services	40,000	29,339	28,621		718
Total Public Safety	<u>2,021,498</u>	<u>2,039,028</u>	<u>1,909,984</u>	<u>-</u>	<u>129,044</u>

**INCORPORATED VILLAGE OF EAST HILLS**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund (Continued)**  
For the Year Ended May 31, 2015

	Original Budget	Final Budget	Actual	Encumbrances	Final Budget Variance with Actual
<b>Health</b>					
Registrar of vital statistics					
Contractual services	\$ 1,000	\$ 1,000	\$ 830	\$ -	\$ 170
<b>Total Health</b>	<b>1,000</b>	<b>1,000</b>	<b>830</b>	<b>-</b>	<b>170</b>
<b>Transportation</b>					
Street administration					
Personal services	94,000	94,000	89,602		4,398
Contractual services	2,000	2,000	-		2,000
Street maintenance					
Personal services	491,103	454,761	413,841		40,920
Equipment		607,987	62,884	545,103	-
Contractual services	103,600	103,600	81,165		22,435
Permanent improvement highway					
Contractual services	1,001,675	2,401,675	365,626	2,033,823	2,226
Snow removal					
Personal services	52,000	47,622	37,479		10,143
Contractual services	52,000	91,378	90,713		665
Street lighting					
Contractual services	25,000	25,000	16,947		8,053
<b>Total Transportation</b>	<b>1,821,378</b>	<b>3,828,023</b>	<b>1,158,257</b>	<b>2,578,926</b>	<b>90,840</b>
<b>Economic Opportunity and Development</b>					
Publicity					
Contractual services	32,000	32,000	21,347		10,653
<b>Total Economic Opportunity     and Development</b>	<b>32,000</b>	<b>32,000</b>	<b>21,347</b>	<b>-</b>	<b>10,653</b>
<b>Culture and Recreation</b>					
Parks					
Personal services	598,397	585,001	513,794		71,207
Equipment	40,000	39,201	38,505		696
Contractual services	466,700	523,260	518,810		4,450
Celebrations					
Contractual services	10,000	9,587	7,186		2,401
Programs for the aging					
Contractual services	14,715	15,671	15,671		-
<b>Total Culture and Recreation</b>	<b>1,129,812</b>	<b>1,172,720</b>	<b>1,093,966</b>	<b>-</b>	<b>78,754</b>
<b>Home and Community Services</b>					
Zoning board of appeals					
Personal services	2,000	2,000	1,694		306
Contractual services	13,900	22,884	22,484		400
Planning board					
Personal services	300	300	-		300
Contractual services	7,600	7,600	-		7,600
Research					
Contractual services	250	250	129		121
Storm sewers					
Contractual services	9,000	9,000	6,475		2,525
Refuse collection and disposal					
Personal services	327,628	327,628	285,167		42,461
Equipment		166,900	-	166,900	-
Contractual services	491,000	549,299	548,316		983
Leaf collection					
Contractual services	10,000		-		-
Shade trees					
Contractual services	25,000		-		-
<b>Total Home and     Community Services</b>	<b>886,678</b>	<b>1,085,861</b>	<b>864,265</b>	<b>166,900</b>	<b>54,696</b>

**INCORPORATED VILLAGE OF EAST HILLS**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund (Continued)**  
For the Year Ended May 31, 2015

	Original Budget	Final Budget	Actual	Encumbrances	Final Budget Variance with Actual
<b>Employee Benefits</b>					
State retirement	\$ 443,807	\$ 386,164	\$ 385,736	\$	\$ 428
Social security and Medicare	220,000	209,389	208,462		927
Workers' compensation	160,000	229,254	186,567		42,687
Life insurance	8,000	6,570	4,042		2,528
Unemployment	30,000	3,875	2,061		1,814
Disability	4,231	4,231	2,791		1,440
Hospital and medical insurance	683,700	707,992	701,273		6,719
Other benefits	80,000	82,263	82,263		-
Total Employee Benefits	1,629,738	1,629,738	1,573,195	-	56,543
<b>Debt Service</b>					
Principal	1,150,000	1,150,000	1,150,000		-
Interest	432,880	432,880	432,879		1
Total Debt Service	1,582,880	1,582,880	1,582,879	-	1
Total Expenditures	\$ 11,780,437	\$ 13,180,437	9,798,614	\$ 2,775,552	\$ 606,271
Net Change in Fund Balance			524,122		
Fund Balance - Beginning of Year			8,492,371		
Fund Balance - End of Year			\$ 9,016,493		

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

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

**INCORPORATED VILLAGE OF EAST HILLS**  
**Schedule of Funding Progress**  
**for Other Postemployment Benefits (OPEB)**  
May 31, 2015

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
May 31, 2013	\$ -	\$ 6,318,400	\$ 6,318,400	0%	\$ 2,151,249	293.71%
May 31, 2010	-	3,892,886	3,892,886	0%	1,977,922	196.82%



**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Trustees of the  
Incorporated Village of East Hills:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary funds of the Incorporated Village of East Hills (the "Village"), as of and for the year ended May 31, 2015, and the related notes to financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated November 6, 2015.

***Internal Control Over Financial Reporting***

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

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

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

# NawrockiSmith

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

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

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

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

Melville, New York  
November 6, 2015

*Nawrocki Smith LLP*

