



COUNTY OF NASSAU - STATE OF NEW YORK

## FINANCIAL STATEMENTS

**Year Ended May 31, 2011**

INCORPORATED VILLAGE OF FLOWER HILL

COUNTY OF NASSAU - STATE OF NEW YORK

Year Ended May 31, 2011

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**INDEPENDENT AUDITOR'S REPORT**

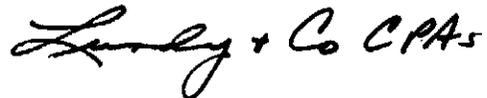
To the Honorable Mayor and Board of Trustees of the  
Incorporated Village of Flower Hill:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Incorporated Village of Flower Hill, Flower Hill, New York (the "Village"), as of and for the year ended May 31, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Incorporated Village of Flower Hill, as of May 31, 2011, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 8, the schedule of funding progress for the retiree health plan on page 34 and budgetary comparison information on page 35, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



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LUNDY & CO., CPA's, P.C.

Jericho, New York  
October 25, 2011

## **INCORPORATED VILLAGE OF FLOWER HILL**

Management's Discussion and Analysis  
For Year Ended May 31, 2011  
(Unaudited)

Our discussion and analysis of the Incorporated Village of Flower Hill (the "Village") financial performance provides an overview of the Village's financial activities for the fiscal year May 31, 2011. Please read it in conjunction with the Village's Independent Auditors' Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements themselves.

### **FINANCIAL HIGHLIGHTS**

- The assets of the Village exceeded its liabilities at May 31, 2011 fiscal year by \$8,242,348 (net assets). Of this amount, \$1,192,290 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the Village's fund designation and fiscal policies.
- The Village's total net assets increased by \$400,647.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,342,403 (an increase of \$474,086 in comparison with the prior year). Of this amount, \$1,154,605 is unreserved and available for use within the Village's designation and policies.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,154,605 or 40% of the total general fund expenditures.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements** – The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The Statement of Activities presents information showing how the Village's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

## INCORPORATED VILLAGE OF FLOWER HILL

Management's Discussion and Analysis  
For Year Ended May 31, 2011  
(Unaudited)

**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 and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories – governmental funds and fiduciary.

These 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 that they become measurable, funded through available resources and payable within a current period.

**Governmental Funds** – Governmental funds are used to account for essentially the same function/programs reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the 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, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains one governmental fund. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund.

The Village adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Village's own programs.

**Notes to the 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. The notes to the financial statements can be found on pages 16 - 33 of this report.

## INCORPORATED VILLAGE OF FLOWER HILL

Management's Discussion and Analysis  
For Year Ended May 31, 2011  
(Unaudited)

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. At May 31, 2011, the Village's assets exceeded liabilities by \$8,242,348.

### VILLAGE'S NET ASSETS

	<u>Governmental Activities</u>		
	<u>2011</u>	<u>2010</u>	<u>Change</u>
Current and Other Assets	\$1,749,020	\$1,499,563	\$249,457
Capital Assets	<u>6,912,172</u>	<u>6,980,849</u>	<u>(68,677)</u>
Total Assets	<u>8,661,192</u>	<u>8,480,412</u>	<u>180,780</u>
Other Liabilities	406,617	631,246	(224,629)
Long Term Liabilities	<u>12,227</u>	<u>7,465</u>	<u>4,762</u>
Total Liabilities	<u>418,844</u>	<u>638,711</u>	<u>(219,867)</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	6,912,171	6,980,849	(68,678)
Restricted	137,887	97,887	40,000
Unrestricted	<u>1,192,290</u>	<u>762,965</u>	<u>429,325</u>
Total Net Assets	<u>\$8,242,348</u>	<u>\$7,841,701</u>	<u>\$400,647</u>

Currently, the largest portion of the Village's net assets of \$6,912,171 reflects its investment in capital assets e.g. land, buildings, improvements and machinery and equipment. Capital assets are used to provide service to citizens; consequently these assets are not available for future spending. Although the Village's investment in 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.

A portion of the Village's net assets \$137,887 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$1,192,290 may be used to meet the government's ongoing obligation to citizens and creditors.

## INCORPORATED VILLAGE OF FLOWER HILL

Management's Discussion and Analysis  
For Year Ended May 31, 2011  
(Unaudited)

**Analysis of the Village's Operations** – The following table provides a summary of the Village's operations for the years ended May 31, 2011 and 2010. Governmental activities increased the Village's net assets by \$400,647.

### VILLAGE'S CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		
	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
Revenues:			
Program Revenues/Charges for Services	\$ 655,931	\$ 943,264	(\$287,333)
Capital Grants	314,411	287,447	26,964
General Revenues:			
Property Taxes	1,983,579	1,927,419	56,160
Unrestricted Investment Earnings	9,636	12,812	(3,176)
State Aid	124,774	164,126	(39,352)
Miscellaneous	<u>252,288</u>	<u>231,611</u>	<u>20,677</u>
Total Revenues	<u>3,340,619</u>	<u>3,566,679</u>	<u>(226,060)</u>
Expenses:			
General Government	1,232,938	1,523,075	(290,137)
Building Department	150,003	185,169	(35,166)
Justice Court	189,414	212,124	(22,710)
Fire Protection	535,881	472,169	63,712
Parks and Recreation	21,703	56,886	(35,183)
Roads and Highways	<u>810,033</u>	<u>1,086,690</u>	<u>(276,657)</u>
Total Expenses	<u>2,939,972</u>	<u>3,536,113</u>	<u>(596,141)</u>
Increases in Net Assets	400,647	30,566	370,081
Net Assets – June 1 <sup>st</sup>	<u>7,841,701</u>	<u>7,811,135</u>	<u>30,566</u>
Net Assets – May 31 <sup>st</sup>	<u>\$8,242,348</u>	<u>\$7,841,701</u>	<u>\$400,647</u>

The Village's revenue decreased by \$226,060. This decrease is primarily due to a decrease in building permits of \$120,000. Prior year was higher due to one major renovation. The prior year also resulted in forfeited deposits returned from the Trust Fund included in miscellaneous revenue.

The Village's expenses decreased by \$596,141. In General Government, the new refuse and removal contract was significantly less in the current year (\$133,066); Engineering costs were also lower (\$50,180) in addition to judgments and claims being lower than the prior year (\$60,052). In Road and Highways, street repairs were significantly lower (\$252,494).

## **INCORPORATED VILLAGE OF FLOWER HILL**

Management's Discussion and Analysis  
For Year Ended May 31, 2011  
(Unaudited)

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

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

At the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,342,403, (an increase of \$474,086 in comparison to the prior year). Of this amount \$1,154,605 (86%) constitutes unreserved fund balance. Of the unreserved balances, \$300,000 has been designated by the Board for subsequent year's expenditures and other uses leaving an unreserved, undesignated amount of \$854,605. The remainder of the Fund balance is reserved to indicate that it is not available for new spending because it has already been committed for capital projects (\$137,887) and encumbrances (\$49,911).

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The Village's General Fund adopted budget for the fiscal year ended May 31, 2011 was \$3,343,123.

The budget was funded through a combination of revenues and designated fund balance. The major funding sources were real property taxes \$1,959,723, non-property tax items \$230,000, licenses and permits \$481,800, State Aid \$232,300 and appropriated fund balance of \$290,000.

The General Fund performed favorably compared to budgeted revenues and expenditures.

Actual revenues of \$3,340,619 compared to the original budget of \$3,053,123 resulted in a positive variance to budget of \$287,496. This variance consisted primarily of State Aid in the amount of \$206,885.

Actual expenditures for the year were \$2,866,533 versus the total budget of \$3,343,123 with a positive variance to budget of \$426,679. This variance is primarily the result of budgeted line items being less than projected, specifically judgments and claims (\$63,401), building inspector fees (\$39,221), street maintenance (\$66,499), park improvements (\$63,280), engineering (\$50,000), rubbish removal (\$85,813) and the contingency account of \$100,000 that was not consumed.

**INCORPORATED VILLAGE OF FLOWER HILL**

Management's Discussion and Analysis  
For Year Ended May 31, 2011  
(Unaudited)

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

The Village's investment in capital assets for its governmental activities as of May 31, 2011, amounts to \$6,912,171 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, infrastructure, structures, vehicles and vehicle equipment, and machinery and equipment.

**Capital Assets at Year-End  
Net of Accumulated Depreciation**

	<b><u>Governmental Activities</u></b>		
	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>Increase (Decrease)</u></b>
Land	\$ 5,111	\$ 5,111	\$ -
Land Improvements	33,659	35,654	(1,995)
Infrastructure	4,116,606	4,121,972	(5,366)
Structures	2,307,912	2,373,362	(65,450)
Vehicles and Vehicle Equipment	242,247	216,178	26,069
Machinery and Equipment	<u>206,636</u>	<u>228,572</u>	<u>(21,936)</u>
Total	<u>\$6,912,171</u>	<u>\$6,980,849</u>	<u>(\$ 68,678)</u>

**Debt Administration  
Outstanding Long-Term Debt at Year End**

	<b><u>Governmental Activities</u></b>	
	<b><u>2011</u></b>	<b><u>2010</u></b>
Postemployment Benefits	\$ <u>12,227</u>	\$ <u>7,465</u>
	\$ <u>12,227</u>	\$ <u>7,465</u>

## **INCORPORATED VILLAGE OF FLOWER HILL**

Management's Discussion and Analysis  
For Year Ended May 31, 2011  
(Unaudited)

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The 2012 budget appropriations are \$3,351,724 which is less than 1% more than the current year's budget. Most of the appropriations budget is about equal to the prior year with the exception of judgment and claims has been decreased by \$25,000; code enforcer equipment has been decreased by \$22,000; fire protection has been decreased by \$47,000; State retirement has been increased by \$28,000 and health insurance has been increased by \$50,000. Building permit fees have been decreased by \$89,000. Property tax collections will increase by \$34,401, (2%).

### **REQUEST FOR INFORMATION**

The financial report is designed to provide our citizens, customers, investors and creditors with general overview of the Village's finances. Questions concerning any information provided in this report should be addressed to the Village at 1 Bonnie Heights Road, Flower Hill, NY 11030.

**INCORPORATED VILLAGE OF FLOWER HILL  
COUNTY OF NASSAU - STATE OF NEW YORK**

**STATEMENT OF NET ASSETS**

**May 31, 2011**

	<u><b>Governmental Activities</b></u>
<u><b>ASSETS</b></u>	
Cash	\$ 1,506,617
Taxes Receivable	73,470
Accounts Receivable	61,153
Due From Fiduciary Fund	76,449
Due From Other Governments	31,331
Capital Assets:	
Land	5,111
Other Capital Assets, Net of Depreciation	<u>6,907,061</u>
 Total Assets	 <u>8,661,192</u>
<u><b>LIABILITIES</b></u>	
Accounts Payable	406,617
Long-Term Liabilities:	
Due In More Than One Year	<u>12,227</u>
 Total Liabilities	 <u>418,844</u>
<u><b>NET ASSETS</b></u>	
Invested In Capital Assets	6,912,171
Restricted for:	
Capital Repairs	137,887
Unrestricted	<u>1,192,290</u>
 Total Net Assets	 <u>\$ 8,242,348</u>

See notes to financial statements.

**INCORPORATED VILLAGE OF FLOWER HILL  
COUNTY OF NASSAU - STATE OF NEW YORK**

**STATEMENT OF ACTIVITIES**

**Year Ended May 31, 2011**

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Capital</u>	<u>Revenue and Changes</u>
		<u>Services</u>	<u>Grants</u>	<u>In Net Assets</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental Activities:				
General Government	\$ 1,232,938	\$ 60,241	\$ -	\$ (1,172,697)
Building Department	150,003	512,871	-	362,868
Justice Court	189,414	82,819	-	(106,595)
Fire Protection	535,881	-	-	(535,881)
Parks and Recreation	21,703	-	-	(21,703)
Roads and Highways	810,033	-	314,411	(495,622)
Total Governmental Activities	<u>\$ 2,939,972</u>	<u>\$ 655,931</u>	<u>\$ 314,411</u>	<u>(1,969,630)</u>
General Revenues:				
Taxes:				
Property Taxes-levied for general purposes				1,983,579
Unrestricted Investment Earnings				9,636
State Aid				124,774
Miscellaneous				<u>252,288</u>
Total General Revenues				<u>2,370,277</u>
Change In Net Assets				400,647
Net Assets - Beginning				<u>7,841,701</u>
Net Assets - Ending				<u>\$ 8,242,348</u>

See notes to financial statements.

**INCORPORATED VILLAGE OF FLOWER HILL  
COUNTY OF NASSAU - STATE OF NEW YORK**

**GOVERNMENTAL FUNDS BALANCE SHEET**

May 31, 2011

	<u>Governmental Fund Types</u>
	<u>General</u>
<b><u>ASSETS</u></b>	
Cash	\$ 1,506,617
Taxes Receivable, Overdue	73,400
Property Acquired For Taxes	71
Accounts Receivable	61,153
Due From Fiduciary Fund	76,449
Due From Other Governments	31,331
	<hr/>
TOTAL ASSETS	\$ 1,749,021
	<hr/> <hr/>
<b><u>LIABILITIES AND FUND EQUITY</u></b>	
Liabilities:	
Accounts Payable	\$ 406,618
	<hr/>
Total Liabilities	406,618
	<hr/>
Fund Equity:	
Fund Balances - Reserved:	
Capital Projects	137,887
Encumbrances	49,911
Fund Balances - Unreserved:	
Fund Balance - Appropriated	300,000
Fund Balance - Unappropriated	854,605
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Total Fund Equity	1,342,403
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TOTAL LIABILITIES AND FUND EQUITY	\$ 1,749,021
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See notes to financial statements.

**INCORPORATED VILLAGE OF FLOWER HILL  
COUNTY OF NASSAU - STATE OF NEW YORK**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**

**May 31, 2011**

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Total fund balance - total governmental funds	\$	1,342,403
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		6,912,172
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.		<u>(12,227)</u>
Net assets of governmental activities	<u>\$</u>	<u>8,242,348</u>

See notes to financial statements.

**INCORPORATED VILLAGE OF FLOWER HILL  
COUNTY OF NASSAU - STATE OF NEW YORK**

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**

**Year Ended May 31, 2011**

	<b>Current Year Actual</b>
<b>Revenues:</b>	
Real Property Taxes	\$ 1,958,804
Interest and Penalties on Real Property Taxes	24,775
Non Property Tax Items	197,433
Departmental Income	68,491
Use of Money and Property	10,056
Licenses and Permits	504,621
Fines and Forfeitures	82,819
Sale of Property and Compensation for Loss	15,100
State Aid	439,185
Miscellaneous Local Sources	39,335
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Total Revenues	3,340,619
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<b>Expenditures:</b>	
<b>Current:</b>	
General Government	645,436
Public Safety	744,586
Transportation	608,684
Culture and Recreation	19,767
Home and Community Services	440,009
Employee Benefits	408,051
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Total Expenditures	2,866,533
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Excess of Revenues Over Expenditures	474,086
Fund Balance at Beginning of Year	868,317
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Fund Balance at End of Year	\$ 1,342,403
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See notes to financial statements.

**INCORPORATED VILLAGE OF FLOWER HILL  
COUNTY OF NASSAU - STATE OF NEW YORK**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE  
STATEMENT OF ACTIVITIES**

**Year Ended May 31, 2011**

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Net change in fund balances - total government funds	\$ 474,086
Amount reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	303,319
Depreciation expense on capital assets is reported in the government- wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds.	(371,996)
On the statement of activities the actual and projected long term expenditures for postemployment benefits are reported whereas on the governmental funds only the actual expenditures are recorded for postemployment benefits.	<u>(4,762)</u>
Change in net assets of governmental activities	<u>\$ 400,647</u>

See notes to financial statements.

INCORPORATED VILLAGE OF FLOWER HILL  
COUNTY OF NASSAU - STATE OF NEW YORK

STATEMENT OF FIDUCIARY NET ASSETS

May 31, 2011

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	<u>Agency Funds</u>
<b><u>ASSETS</u></b>	
Cash	\$ 145,190
TOTAL ASSETS	<u>\$ 145,190</u>
<b><u>LIABILITIES</u></b>	
Due To Governmental Funds	\$ 76,449
Deposits Held	<u>68,741</u>
TOTAL LIABILITIES	<u>\$ 145,190</u>

See notes to financial statements.

**INCORPORATED VILLAGE OF FLOWER HILL  
COUNTY OF NASSAU - STATE OF NEW YORK**

NOTES TO FINANCIAL STATEMENTS

*May 31, 2011*

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**Note 1. Summary of Significant Accounting Policies**

**A. Organization**

The Incorporated Village of Flower Hill (the "Village") was incorporated in 1931. The Village operates under a Board of Trustees form of government and provides the following services as authorized by its charter: general government, building department, justice court, contracted fire protection, parks and recreation, roads and highways, and sanitation.

The financial statements of the Village were prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Village are discussed below.

**B. Financial Reporting Entity**

The Village of Flower Hill is governed by the Village Law and other General Laws of the State of New York and various local laws. The Board of Trustees is the legislative body responsible for overall operations. The Mayor serves as chief executive officer and the Treasurer serves as chief fiscal officer.

All governmental activities and function/programs performed for the Incorporated Village of Flower Hill are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of (a) the primary government which is the Village, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement 14.

**C. Basis of Presentation**

**Government-wide Financial Statements**

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the Village except fiduciary activities. The effect of Interfund activity, within the governmental column has been removed from these statements.

In the government-wide Statement of Net Assets, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net assets are reported in three parts-invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

**Note 1. Summary of Significant Accounting Policies (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements**

The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Village has presented the following governmental funds:

**Fund financial Statements – Major Funds**

1. *General fund* is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Fiduciary funds are used to account for assets held by the Village in a trustee or agency capacity for others and therefore cannot be used to support the Village's own programs. Fiduciary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income and financial position. All assets and liabilities are included on the Statement of Fiduciary Assets and Liabilities. The Village has presented the following Fiduciary Funds:

*Agency Funds* - Agency Funds account for assets held by the Village in a purely custodial capacity. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. Agency Funds consist of deposits held by the Village.

**D. Basis of Accounting**

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

**Note 1. Summary of Significant Accounting Policies (Continued)**

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, except that:

- a. Expenditures for prepaid expenses and inventory-type items are recognized at the time of purchase.
- b. Principal and interest on indebtedness are not recognized as an expenditure until due.
- c. Compensated absences such as vacation and sick leave which vests or accumulates, are charged as an expenditure when paid.

**E. Budgetary Data**

Budgets are adopted annually. All budget amounts provided in this report have been modified where necessary. The Village's procedures in establishing the budgetary data reflected in the financial statements are as follows:

- a. On or before March 20<sup>th</sup>, the budget officer prepares estimates for each administrative unit.
- b. No later than March 20<sup>th</sup>, the budget officer submits a tentative budget to the Board of Trustees for the fiscal year commencing the following June 1<sup>st</sup>. This tentative budget includes proposed expenditures and the means of financing for the General Fund.
- c. A public hearing is conducted by the Board of Trustees to obtain comments.
- d. No later than May 1<sup>st</sup>, the Board of Trustees adopts the budget of the Incorporated Village of Flower Hill.
- e. All modifications of the budget must be approved by the Board of Trustees. (However, the Treasurer is authorized to transfer certain budget amounts within departments.)

**F. Cash and Investments**

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

All investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

**G. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. 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 expenditures and revenues to provide financing or other services.

In the government-wide statements, the amounts reported on the Statement of Net Assets 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, expenditures and revenues activity is provided subsequently in these Notes.

**I. Capital Assets**

To ease implementation efforts, GASB Statement No. 34 provides the Village with the option of reporting general infrastructure assets and related depreciation expense on assets prospectively, that is for those assets acquired in the year of implementation and forward, from June 1, 2004.

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Structures	50 years
Vehicles and Vehicle Equipment	8-15 years
Machinery and Equipment	5-20 years
Infrastructure	20 years

**J. Accounts Receivable**

Accounts receivable are shown gross. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

**K. Deferred Revenue**

Deferred revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Village before it has legal claim to them, as when contractual or rental fees are received in advance. In subsequent periods, when both recognition criteria are met, or when the Village has legal claim to the resources, the liability for deferred revenue is removed and revenues are recorded.

**Note 1. Summary of Significant Accounting Policies (Continued)**

**L. Compensated Absences**

Compensated absences consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the Village and the employee. Concurrently, the Village does not permit accumulation of unused vacation or sick leave.

**M. Other Benefits**

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

In addition to providing pension benefits, the Village provides post-employment health insurance coverage for retired employees. The Village accounts for these postemployment benefits in accordance with GASB Statement No. 45 (GASB 45) *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. In the government-wide statements, postemployment costs are measured and disclosed using the accrual basis of accounting. The cost of providing these benefits is recorded as an expenditure in governmental funds in the year paid.

**N. 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 bonds. State law requires that BAN's issued for capital purposes be converted to long-term financing within five years after the original issue date.

**O. Accrued Liabilities and Long-Term Obligations**

Payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due. Long term liabilities are liquidated through future budgetary appropriations in the General Fund. Currently the Village has no outstanding debt other than the computation of postemployment benefits other than pensions (OPEB).

Long-term obligations represent the Village's future obligations or future economic outflows. The liabilities are reported as due within one year or due in more than one year in the Statement of Net Assets.

**P. Equity Classifications**

**Government-wide Statements**

In the Government-wide statements there are three classes of net assets:

Invested in capital assets, net of related debt – consists of net capital assets (cost less accumulated depreciation reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.

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

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

**Q. Insurance**

The Village insures the liability for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

**Note 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 transaction 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 Statement of Activities, compared with the current financial resource measurement focus of the governmental funds.

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

Total fund balances of the Village's governmental funds differ from "net assets" of governmental activities reported in the Statement of Net Assets. This difference primarily results from the additional long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of the governmental funds Balance Sheets. Generally, adjustments include capitalizing and depreciating fixed assets and recording long-term debt and accrued interest.

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

Differences between the funds 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.

**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 both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Assets.

**Note 3. Budget Basis of Accounting**

The Village prepares a proposed budget for approval by the Board of Trustees for the General Fund, the only fund with a legally adopted budget. Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. 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 in the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board as a result of selected new revenue sources not included in the original budget (when permitted by law). 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, the Board approved additional appropriations of \$-0-.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Budgets are established and used for individual Capital Project Fund expenditures as approved by the Board. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

**Note 4. Real Property Taxes**

Village real property taxes are levied annually no later than May 15<sup>th</sup>, and become a lien on the first day of the levy year. Taxes are collected during the period June 1<sup>st</sup> to July 1<sup>st</sup> without penalty or interest. Thereafter penalty and interest are imposed pursuant to the Real Property Tax Law.

After the return of the tax warrant and certification to the Board of Trustees of the uncollected tax items, an annual sale of the tax liens is held pursuant to the provisions of the Real Property Tax Law.

**Note 5. Cash And Investments**

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

Collateral is required for demand deposits and certificates of deposit at 100 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the federal government. Underlying securities must have a market value of at least 100 percent of the cost of the repurchase agreement.

Deposits and investments at year-end were entirely covered by federal deposit insurance and/or by collateral held by a custodial bank in the Village's name.

**Note 5. Cash And Investments (Continued)**

Bank balances for the Village's deposits with financial institutions as at May 31, 2011 totaled \$1,651,600 categorized as follows:

Checking - Non-Interest Bearing	\$ 145,190
Checking - Interest Bearing	301,356
Money Market - Interest Bearing	<u>1,205,054</u>
 Total Balances	 <u>\$1,651,600</u>
 Amount FDIC Insured	 \$ 250,000
Collateral Held by Village's Custodial Banks	<u>1,401,600</u>
	 <u>\$1,651,600</u>

**Note 6. Fund Equity**

Encumbrances are commitments to expend resources and are recorded as a reservation of the Village's general or capital fund balances when purchase commitments are incurred by year-end, awaiting approved vendor performance.

Portions of governmental fund equity are also segregated for other future uses, and are therefore not available for further appropriation or expenditure. Amounts reserved represent portions of fund equity, which are segregated in accordance with law or generally accepted accounting principles. Designation of unreserved fund balances in governmental funds indicates the utilization of these resources in the subsequent year's budget.

The General Fund includes a reserve for capital repairs of \$90,724 established to fund future infrastructure repairs and an equipment reserve of \$47,163 established to fund future equipment purchases.

The following is a schedule of General Fund Reserves:

	<b><u>Equipment Reserve</u></b>		<b><u>Road Reconstruction Reserve</u></b>	
	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Balance, Beginning	\$ 7,163	\$7,163	\$90,724	\$90,724
Revenues	40,000	-	-	-
Expenditures	-	-	-	-
Balance, Ending	<u>\$47,163</u>	<u>\$7,163</u>	<u>\$90,724</u>	<u>\$90,724</u>

**Note 7. Capital Assets**

Capital assets consist of the following:

	<u>Balance June 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance May 31, 2011</u>
<b>Nondepreciable Capital Assets</b>				
Land	\$ 5,111	\$ -	\$ -	\$ 5,111
Total Non Depreciable Capital Assets	<u>5,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>5,111</u>
<b>Depreciable Capital Assets</b>				
Land Improvements	39,896	\$ -	\$ -	39,896
Infrastructure	4,742,303	237,692	-	4,979,995
Structures	2,637,863	-	-	2,637,863
Vehicles and Vehicle Equipment	453,627	61,927	(22,250)	493,304
Machinery and Equipment	<u>386,441</u>	<u>3,700</u>	<u>-</u>	<u>390,140</u>
Total Depreciable Capital Assets	<u>8,260,130</u>	<u>\$303,319</u>	<u>(\$ 22,250)</u>	<u>8,541,198</u>
Less Accumulated Depreciation				
Land Improvements	4,242	\$ 1,995	\$ -	6,237
Infrastructure	620,332	243,057	-	863,389
Structures	264,501	65,450	-	329,951
Vehicles and Vehicle Equipment	237,449	35,858	(22,250)	251,057
Machinery and Equipment	<u>157,868</u>	<u>25,636</u>	<u>-</u>	<u>183,504</u>
Total Accumulated Depreciation	<u>1,284,392</u>	<u>\$371,996</u>	<u>(\$ 22,250)</u>	<u>1,634,138</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>6,975,738</u>			<u>6,907,060</u>
Total Net Capital Assets	<u>\$6,980,849</u>			<u>\$6,912,171</u>

Depreciation expense was charged to functions/programs as follows:

	<u>2011</u>	<u>2010</u>
General Government	\$ 73,508	\$ 71,988
Building Department	1,187	-
Justice Court	616	616
Parks and Recreation	6,682	6,668
Roads and Highways	<u>290,003</u>	<u>268,537</u>
	<u>\$371,996</u>	<u>\$ 347,809</u>

**Note 8. Long-Term Debt**

*Postemployment Benefits* – In addition to providing pension benefits, the Village provides postemployment health insurance coverage for retired employees. Additional information can be found subsequently in these notes.

A. The following is a summary of changes in long-term liabilities for the period ended May 31, 2011:

	<u>Balance June 1<sup>st</sup></u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance May 31<sup>st</sup></u>	<u>Due Within One Year</u>
<b>Governmental Fund Types</b>					
Postemployment Benefits	\$ 7,465	\$59,271	\$54,509	\$12,227	\$ -
Total Governmental Fund Types	<u>\$ 7,465</u>	<u>\$59,271</u>	<u>\$54,509</u>	<u>\$12,227</u>	<u>\$ -</u>

**Note 9. Pension Plans**

*Plan Description*

The Village participates in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan collectively known as NYSLRS. This is a cost-sharing multiple-employer retirement system. The NYSLRS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the NYSLRS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the NYSLRS and for the custody and control of its funds. The NYSLRS 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 Retirement System, 110 State Street, Albany, NY 12244.

*Funding Policy*

The NYSLRS is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary for their first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) who generally contribute 3 percent of their salary for their entire length of service. 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 NYSLRS fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2011	\$64,840
2010	\$47,796
2009	\$34,200

**Note 10. Postemployment Benefits Other Than Pensions**

In addition to providing pension benefits, the Incorporated Village of Flower Hill provides health insurance coverage and survivor benefits for retired employees and their spouses. Substantially all of the Village's employees may become eligible for these benefits if they reach normal retirement age while working for the Village. Health care benefits are provided through an insurance company whose premiums are based on the benefits paid during the year.

In June 2004, the Government Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for reporting non-pension postemployment benefits, such as health care premiums for retirees. The Village adopted this Statement for the year ending May 31, 2010 prospectively and will continue the current pay-as-you-go approach to projected funding.

**Plan Description**

The Incorporated Village of Flower Hill administers a single-employer defined benefit healthcare plan ("the Plan"). The Plan provides lifetime healthcare insurance for eligible retirees through the Village's group health insurance plan, which covers both active and retired members. The Plan does not issue a publicly available financial report.

For current retirees the Village pays the entire premium for health coverage, including family coverage where applicable while the retiree is still alive. Upon death of the retiree, the Village discontinues payments for coverage of the surviving spouse.

For full-time employees hired prior to December 1990, the Village will pay 100% of the individual employee's health premium. For employees hired after 1990, there are no postemployment benefits provided. For fiscal year 2011, the Village contributed \$54,509 to the Plan on behalf of 6 retirees.

There have been no significant changes in the number of employees or the type of coverage since the date of the valuation.

**Funding Policy**

GASB 45 does not require that the unfunded liability actually be amortized nor that it be funded, only that the unfunded accrued liability is accounted for and that the Village meets its Annual Required Contribution (ARC). However, if the liability is funded, assets must be transferred to a qualifying irrevocable trust or equivalent arrangement for the exclusive benefit of the plan members and must be protected from creditors.

At this time there is no New York State statute providing local governments with the authority for establishing a postemployment benefits trust. Since the Village cannot fund the Other Postemployment Benefits (OPEB) liability at this time, the required contribution is based on a projected pay-as-you-go financing requirements. The contribution requirements of Plan members and the Village are established by the Board of Trustees.

**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 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Village's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in Village's net OPEB obligation to the Plan:

**Note 10. Postemployment Benefits Other Than Pensions (Continued)**

	<u>2011</u>	<u>2010</u>
Annual required contribution (ARC)	\$ 58,898	\$ 58,898
Interest on net OPEB obligation (NOO)	<u>373</u>	<u>-</u>
Annual OPEB cost (expense)	59,271	58,898
Contributions made	<u>(54,509)</u>	<u>(51,433)</u>
Increase in net OPEB obligation	4,762	7,465
Net OPEB obligation - beginning of year	<u>7,465</u>	<u>-</u>
Net OPEB obligation - end of year	<u>\$ 12,227</u>	<u>\$ 7,465</u>

The above amounts are based on a valuation at June 1, 2009.

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2011 and the preceding fiscal year are as follows:

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Annual OPEB Cost</u>	<u>OPEB Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$58,898	\$58,898	\$51,433	87%	\$ 7,465
2011	\$58,898	\$66,141	\$54,509	82%	\$12,227

**Funded Status and Funding Progress**

As of May 31, 2011, the actuarial accrued liability for benefits was \$807,167, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$563,942, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 1.43%. The Plan is being funded on a pay-as-you-go basis.

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

**Methods and Assumptions**

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

The following simplifying assumptions were made:

*Retirement age for active employees* – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 55, or after 25 years of service.

**Note 10. Postemployment Benefits Other Than Pensions (Continued)**

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

*Mortality* – Rates in accordance with 94 GAR, projected to 2002.

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

*Healthcare cost trend rate* – The expected rate of increase in healthcare insurance premiums was based on projections from The Getzen trend model promulgated by the Society of Actuaries. A rate of 5 percent was used.

*Health insurance premiums* – 2009/2010 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Based on the historical and expected returns of the Village's short-term investment portfolio, a discount rate of 5.0 percent was used. In addition, the Projected Unit Credit Cost Method was used. The unfunded actuarial accrued liability is being amortized using the level dollar method. The remaining amortization period at May 31, 2011, is twenty-eight years.

**Note 11. Commitments and Contingencies**

**State Grants**

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

**Tax Certiorari**

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

**Other**

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

**Note 12. Interfund Receivables and Payables**

Individual Fund Disclosure

Interfund receivables and payables at May 31, 2011 were as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General	\$ 76,449	\$ -
Trust and Agency	-	76,449
Total	<u>\$ 76,449</u>	<u>\$ 76,449</u>

The above account represents forfeitures of deposits to be transferred to the General Fund.

**Note 13. Service Awards Program**

The Village’s financial statements are for the year ended May 31, 2011. The information contained in this note is based on information for the Length of Service Awards Program for the year ending on December 31, 2009, which is the most recent plan year for which complete information is available.

As of December 31, 2009, ten (10) municipalities jointly sponsor the Roslyn Volunteer Firefighter Service Award Program. They are 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 contained in this note is based on information for the Roslyn Volunteer Firefighter Service Award Program for the Program year ending December 31, 2009 which is the most recent information is available.

**Length of Service Awards Program – LOSAP**

The 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) was established 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 (10) municipalities listed above jointly sponsor and fund the Program and the Joint Municipality Sponsoring Board is the Program administrator.

**Program Description**

*Participation, Vesting and Service Credit*

In a defined benefit LOSAP, participating volunteers begin to be paid a Service Award upon attainment of the Program’s Entitlement Age. An eligible Program Participant is defined by the Program sponsor to be an active volunteer firefighter who is at least 18 years of age, has completed probation, and has earned one (1) year of Service Award Program service credit. The amount of the Service Award paid to a participant is based upon the number of years of Service Credit the volunteer earned under the Program for performing active volunteer firefighter activities.

Participants acquire a non-forfeitable right to be paid a Service Award after earning credit for five years of service or upon attaining the Program’s Entitlement Age while an active volunteer. The Program’s Entitlement Age is age 62. An active volunteer firefighter earns a year of Service Award Program Service Credit for each calendar year after the establishment of the Program in which 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 Service Award Program service credit for five (5) years of active volunteer firefighting service rendered prior to the establishment of the Program as an active volunteer firefighter member of the Roslyn Highlands Hook & Ladder, Engine & Hose Company, Inc. or the Rescue Hook & Ladder Company No. 1.

**Note 13. Service Awards Program (Continued)**

**Benefits**

A Participant's Service Award benefit is paid as a ten year certain and continuous monthly payment life annuity. Currently, there are no other forms of payment of a volunteer's earned Service Award under the Program. The amount payable each month equals \$20 multiplied by the total number of years of Service Award Program service credit earned by the Participant under the point system. The maximum number of years of service credit a Participant may earn under the Program is 30 years. Except in the case of Pre-Entitlement Age death or total and permanent disablement, a Participant's Service Award will not be paid until he or she attains 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 Pre-Entitlement Age death and disability benefit is equal to the actuarial value of the participant's earned Service Award at the time of death or disablement. If a volunteer is an active member at the time of death, the minimum death benefit payable is \$10,000. The Program does not provide extra line-of-duty death or disability benefits. As of December 31, 2009 this \$10,000 minimum pre-entitlement age death benefit was funded through a group term life insurance policy. This policy has subsequently been dropped effective March 1, 2010, and this death benefit is being self insured effective March 1, 2010. All other death and disability benefits are self insured and are paid from the Program Trust Fund.

For a complete explanation of the program, see the Program Document a copy of which is available from the Joint Sponsoring Board.

**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. The certified list is delivered to the Joint Sponsoring Board for the Board's review and approval. The fire company 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. and the Joint Sponsoring Board.

Based on the certified calendar year volunteer firefighter listings, Penflex determines and certifies in writing to 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 confirmation to the Joint Sponsoring Board.

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 LOSAP Trust Fund; the ten participating municipalities collectively reimburse the Trust Fund for the amounts paid to Penflex.

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 (including Penflex fees). The Joint Sponsoring Board created a Service Award Program Trust Fund through the adoption of a Service Award Program Trust Document and the Inter-municipal Agreement, a copy of which is available from the Joint Sponsoring Board. 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 a written investment policy statement adopted by the Joint Sponsoring Board.

**Note 13. Service Awards Program (Continued)**

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 Municipalities' contributions to the plan. The actuary retained by the Joint Sponsoring Board for this purpose is Edward J. Holohan of Penflex, Inc.; Mr. Holohan is an Associate of the American Society of Actuaries. Portions of the following information are derived from a report prepared by the actuary dated November 15, 2010.

**Program Financial Condition**

Assets and Liabilities

Actuarial Present Value of Accrued Service Awards at 12/31/09		<u>\$2,592,132.86</u>
Less: Assets Available for Benefits		
Cash and Money Market	\$ 138,626.05	
U.S. Equities	32,375.00	
Fixed Income	1,821,307.10	
Mixed Assets	140,689.83	
Other Assets	62,122.66	
Interest Receivable	5,178.48	
January Payments made in December	7,220.00	
Sponsor Contributions Receivable	<u>2,490.50</u>	
Total Net Assets Available for Benefits		<u>2,210,009.62</u>
Total Unfunded Benefits		382,123.24
Less: Unfunded Liability for Separately Amortized Costs		<u>160,012.89</u>
Unfunded Normal Benefits		<u>\$ 222,110.35</u>

Separately Amortized Costs

The unfunded retroactive liability for additional Service Awards earned after attainment of the Entitlement Age is being amortized over 5 years at 6.00% beginning 12/31/06. There are 2 years remaining as of 12/31/09. The unfunded liability for additional Service Awards earned after attainment of the Entitlement Age is being amortized over 5 years at 6.00% from the year they are accrued.

Receipts and Disbursements

Plan Net Assets, beginning of year		\$1,783,229.64
Changes during the year:		
Sponsor Contributions		249,843.49
Change in sponsor Contributions Receivable		2,490.50
Investment Income Earned		80,588.21
Changes in Fair Market Value of Investments		190,526.74
Investment Expenses (RBC)		(1,411,96)
Life Insurance Premiums		(8,175.00)
Administrative Fees (Penflex)		(9,822.00)
Benefits Paid/Payable		<u>(77,260.00)</u>
Plan Net Assets, end of year		<u>\$2,210,009.62</u>

**Note 13. Service Awards Program (Continued)**

Contributions

Contribution recommended by actuary:	<u>\$ 252,333.94</u>
Actual contribution made by the Sponsor:	<u>\$ 252,333.94</u>

Total Contribution Due by This Municipality in 2009

Village of Flower Hill	\$16,826.09	11/9/2009
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Administration Fees

Fees paid to administrative/actuarial services provider	<u>\$ 9,822.00</u>
Fees paid for investment management	<u>\$ 1,411.96</u>

**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	6.00%
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Tables used for:

Post Entitlement Age mortality:	1994 Unisex 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.

None of the assets or liabilities in this footnote are included in the financial statements of the Village. The plan administrator has not yet determined the Village of Flower Hills' pro-rata share of these amounts.

**Note 14. Recent Accounting Pronouncements**

The GASB has issued the following Statement which will be effective in future years:

In February 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to improve the usefulness, including the understandability, of governmental fund balance information. This Statement provides more clearly defined categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. It also clarifies the existing governmental fund type definitions to improve the comparability of governmental fund financial statements and help financial statement users better understand the purposes for which governments have chosen to use particular funds for financial reporting. This Statement will be effective for the year ended May 31, 2012.

**INCORPORATED VILLAGE OF FLOWER HILL  
COUNTY OF NASSAU – STATE OF NEW YORK**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN**

**For Year Ended May 31, 2011**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL)-- Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
5/31/10	\$ -	\$807,167	\$807,167	0.0%	\$112,727	716%

Next valuation date will be at 5/31/13.

See independent auditor's report and notes to financial statements.

**INCORPORATED VILLAGE OF FLOWER HILL  
COUNTY OF NASSAU - STATE OF NEW YORK**

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

**Year Ended May 31, 2011**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Current Year Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>					
Real Property Taxes	\$ 1,959,723	\$ 1,959,723	\$ 1,958,804		\$ (919)
Interest and Penalties on Real Property Taxes	10,000	10,000	24,775		14,775
Non Property Tax Items	230,000	230,000	197,433		(32,567)
Departmental Income	55,000	55,000	68,491		13,491
Use of Money and Property	10,300	10,300	10,056		(244)
Licenses and Permits	481,800	481,800	504,621		22,821
Fines and Forfeitures	60,000	60,000	82,819		22,819
Sale of Property and Compensation for Loss	5,000	5,000	15,100		10,100
State Aid	232,300	232,300	439,185		206,885
Miscellaneous Local Sources	9,000	9,000	39,335		30,335
Total Revenues	3,053,123	3,053,123	<u>\$ 3,340,619</u>		<u>\$ 287,496</u>
<b>Other Financing Sources:</b>					
Appropriated Fund Balance	290,000	290,000			
Total Revenues and Other Sources	<u>\$ 3,343,123</u>	<u>\$ 3,343,123</u>			
<b>Expenditures:</b>					
<b>Current:</b>					
General Government	\$ 843,150	\$ 822,358	\$ 645,436	\$ -	\$ 176,922
Public Safety	792,173	806,831	744,586	-	62,245
Transportation	676,000	658,596	608,684	-	49,912
Culture and Recreation	84,000	84,747	19,767	49,911	15,069
Home and Community Services	543,800	543,800	440,009	-	103,791
Employee Benefits	404,000	426,791	408,051	-	18,740
Total Expenditures	<u>\$3,343,123</u>	<u>\$ 3,343,123</u>	<u>\$ 2,866,533</u>	<u>\$ 49,911</u>	<u>\$ 426,679</u>

See independent auditor's report and notes to financial statements.