

THE INCORPORATED VILLAGE OF FLOWER HILL

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT**

FOR THE FISCAL YEAR ENDED MAY 31, 2018

THE INCORPORATED VILLAGE OF FLOWER HILL
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R.S. ABRAMS & CO., LLP

Accountants & Consultants for Over 75 years

Robert S. Abrams
(1926-2014)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Incorporated Village of Flower Hill

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary fund of the Incorporated Village of Flower Hill as of and for the fiscal year ended May 31, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

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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 fund of the Incorporated Village of Flower Hill as of May 31, 2018, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As described in Note 1 to the financial statements, in 2018, the Incorporated Village of Flower Hill adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets that Are Not within the Scope of GASB Statement No. 68* and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the Village's total OPEB liability, schedule of the Village's proportionate share of the net pension liability, schedule of the Village's contributions, and the schedule of the Village's proportionate share of the total LOSAP liability on pages 3 through 10 and 46 through 52, 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, 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 assurances.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2019, on our consideration of the Incorporated Village of Flower Hill'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 Incorporated Village of Flower Hill's internal control over financial reporting and compliance.

R. S. Abrams & Co., LLP
R.S. Abrams & Co., LLP
Islandia, NY
February 15, 2019

THE INCORPORATED VILLAGE OF FLOWER HILL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended May 31, 2018

The following is a discussion and analysis of the Incorporated Village of Flower Hill's (the "Village") financial performance for the fiscal year ended May 31, 2018. This section is a summary of the Village's financial activities based on currently known facts, decisions, or conditions. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the Village's financial statements, which immediately follow this section.

1) FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2018 are as follows:

- The Village implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not within the Scope of GASB Statement No. 68* and GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in the restatement of opening Net Position. As a result, the Village's total net position as of May 31, 2017 was restated and decreased by \$1,142,653. In addition, the implementation of GASB Statement No. 73 resulted in the restatement of the opening fund balance for the general fund. As a result, the opening balance for the Village's general fund was restated and increased by \$477,458.
- The Village's net position for fiscal year ending May 31, 2018 was \$7,223,548.
- Revenues and other financing sources in the general fund increased by \$509,973 to \$3,835,130 in fiscal year ending May 31, 2018 from \$3,325,157 in fiscal year ending May 31, 2017, largely attributable to the increase in consolidated highway aid and interfund transfer of the remaining capital projects fund balance.
- Actual general fund revenues and other financing sources for the fiscal year ended May 31, 2018 were higher than the final budget by \$502,480.
- Actual general fund expenditures for the fiscal year ended May 31, 2018 were lower than the final budget in the amount of \$350,863 primarily due to savings in general government, transportation, and employee benefits.

2) OVERVIEW OF THE FINANCIAL STATEMENTS

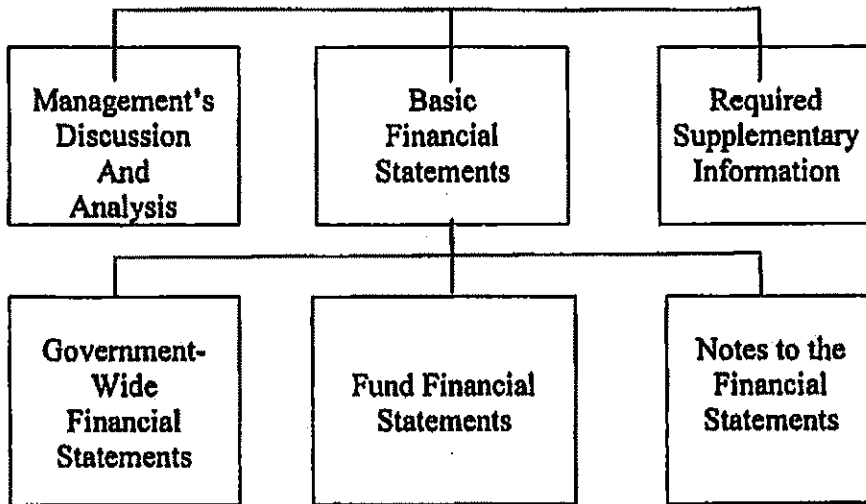
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Village:

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

**THE INCORPORATED VILLAGE OF FLOWER HILL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended May 31, 2018**

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Village's budget for the year. Table A-1 shows how the various parts of this annual report are arranged and relate to one another.

Table A-1: Organization of the Village's Annual Financial Report



A. Government-Wide Financial Statements

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

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

- Over time, increases and decreases in net position are an indicator of whether the financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the Village, additional non-financial factors such as changes in the Village's property tax base and the condition of buildings and other facilities should be considered.

Net Position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (money) are

**THE INCORPORATED VILLAGE OF FLOWER HILL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended May 31, 2018**

expended to purchase or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated if it does not provide or reduce current financial resources. Finally, capital assets and long-term debt are both accounted for in account groups and do not affect the fund balances.

Government-wide statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net Position:

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation to the proper program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net position balances as follows:
 - *Net investment in capital assets*;
 - *Restricted net position* is the amounts with constraints placed on the use by external sources (creditors, grantors, contributors or laws or regulations of governments) or approved by law through constitutional provisions or enabling legislation;
 - *Unrestricted net position* is the net position that does not meet any of the above restrictions.

B. Fund Financial Statements

The Fund Financial Statements provide more detailed information about the Village's funds. Funds are accounting devices that the Village uses to keep track of specific revenue sources and spending on particular programs. The funds have been established by the laws of the State of New York.

The Village has two kinds of funds:

i) Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, the Governmental Funds Financial Statements focus on near-term inflows and outflows 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 impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains two individual governmental funds: general and capital projects funds.

**THE INCORPORATED VILLAGE OF FLOWER HILL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended May 31, 2018**

ii) 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 Village excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

3) FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

A. Net Position

The Village's net position increased by \$227,378 in the fiscal year ended May 31, 2018 as detailed below:

	2018	2017*	Increase/ (Decrease)	Total Percentage Change
Current assets	\$ 2,884,836	\$ 2,550,297	\$ 334,539	13.12%
Capital assets, net of depreciation	6,094,723	6,134,798	(40,075)	(0.65%)
Total assets	<u>8,979,559</u>	<u>8,685,095</u>	<u>294,464</u>	3.39%
Deferred outflows of resources	<u>448,277</u>	<u>269,186</u>	<u>179,091</u>	66.53%
Other liabilities	97,178	41,836	55,342	132.28%
Long-term liabilities	<u>1,829,031</u>	<u>1,878,438</u>	<u>(49,407)</u>	(2.63%)
Total liabilities	<u>1,926,209</u>	<u>1,920,274</u>	<u>5,935</u>	0.31%
Deferred inflows of resources	<u>278,079</u>	<u>37,837</u>	<u>240,242</u>	634.94%
Net position				
Net investment in capital assets	6,094,723	6,134,798	(40,075)	(0.65%)
Restricted	560,028	641,661	(81,633)	(12.72%)
Unrestricted	<u>568,797</u>	<u>219,711</u>	<u>349,086</u>	158.88%
Total net position	<u>\$ 7,223,548</u>	<u>\$ 6,996,170</u>	<u>\$ 227,378</u>	3.25%

*Current assets, deferred outflows, long-term liabilities, deferred inflows, restricted net position and unrestricted net position for 2017 have been restated for the implementation of GASB Statement Nos. 73 and 75. See Note 13 for further information.

THE INCORPORATED VILLAGE OF FLOWER HILL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended May 31, 2018

Current assets increased by \$334,539 compared to the prior year, primarily due to an increase in cash, due from other governments, and service award program assets.

Capital assets (net of depreciation) decreased by \$40,075, as compared to the prior year. This was primarily attributable to an excess of depreciation over current year additions.

The changes in deferred outflows represent amortization of pension related items as well as the addition of deferred outflows related to other post-employment benefits and length of service award programs, and the Village's contributions subsequent to the measurement date as discussed in Notes 9, 11, and 12, respectively.

Other liabilities increased by \$55,342, as compared to the prior year, primarily due to an increase in accounts payable.

Long-term liabilities decreased by \$49,407, as compared to the prior year, due to a decrease in net pension liability-proportionate share and total other post-employment benefits obligations offset by an increase to the length of service award program liability – proportionate share. See Note 8 for more information.

The changes in deferred inflows represent amortization of pension related items as discussed in Note 9 and the addition of deferred inflows related to length of service award programs as discussed in Note 12.

The net investment in capital assets, relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and furniture & equipment, net of depreciation and related debt. This amount decreased by \$40,075 as compared to the prior year, as a result of the decrease in capital assets.

The restricted net position at May 31, 2018, relates to the Village's length of service award program assets which are restricted for the purpose of providing benefits to plan participants. Restricted net position decreased by \$81,633 due to a decrease in amounts restricted for capital repairs offset by an increase in service award program assets.

Unrestricted net position is the balance of the Village's net position. This amount increased by \$349,086.

B. Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the fiscal years ended May 31, 2018 and 2017 is as follows:

**THE INCORPORATED VILLAGE OF FLOWER HILL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended May 31, 2018**

	Fiscal Year 2018	Fiscal Year 2017	Increase/ (Decrease)	Percentage Change
Revenues				
Program revenues				
Charges for services	\$ 1,037,044	\$ 907,253	\$ 129,791	14.31%
Capital grants	-	4,978	(4,978)	(100.00%)
General revenues				
Real property taxes	1,907,942	1,975,368	(67,426)	(3.41%)
State sources	377,382	178,754	198,628	111.12%
Other	373,616	276,258	97,358	35.24%
Total revenues	3,695,984	3,342,611	353,373	10.57%
Expenses				
General support	498,516	933,499	(434,983)	(46.60%)
Public safety	933,433	976,549	(43,116)	(4.42%)
Transportation	710,831	888,206	(177,375)	(19.97%)
Economic opportunity & development	2,981			
Culture & recreation	87,524	117,532		
Home & community services	765,470	730,650	34,820	4.77%
Depreciation (unallocated)	469,851		469,851	100.00%
Total expenses	3,468,606	3,646,436	(177,830)	(4.88%)
Change in net position	\$ 227,378	\$ (303,825)	\$ 531,203	(174.84%)

Information for 2017 was not restated for the implementation of GASB Statement No. 73 and GASB Statement No. 75 as all information was not readily available. The cumulative effect of applying the change in account principles is shown as an adjustment to the beginning net position in 2018. See Note 13 for more information.

Reclassifications were made to the 2017 revenues and expenditures to conform to the 2018 financial statement classification. Such reclassifications had no effect on total net position as previously reported.

The Village's revenues increased by \$353,373 or 10.57%. The increase is due primarily to the increase in state sources, relating to consolidated local street and highway improvement program (CHIPS) revenue that was not received in the prior year, and charges for services.

The Village's expenses for the year decreased by \$177,830 or 4.88%. This was primarily due to lower transportation costs.

4) FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Variations between years for the governmental Fund Financial Statements are not the same as variations between years for the Government-Wide Financial Statements. The Village's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the

**THE INCORPORATED VILLAGE OF FLOWER HILL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended May 31, 2018**

proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

At May 31, 2018, the general fund reported a fund balance of \$2,745,146, which is an increase of \$418,343 over the previous fiscal year's fund balance as restated.

Overall revenues and other financing sources increased by \$509,973 (15.34%) compared to the prior fiscal year. This was primarily due to an increase in consolidated highway aid.

Expenditures increased by \$177,137 (5.47%) compared to the prior fiscal year. General government and transportation costs increased from the prior fiscal year by \$72,672 and \$222,138, respectively. The increase in transportation expenditures was primarily due to increased costs related to contractual street maintenance services. There was also an increase in home and community services of \$24,298 offset by a decrease in public safety, culture and recreation, and employee benefits by \$11,781, \$20,163, and \$113,008, respectively.

5) GENERAL FUND BUDGETARY HIGHLIGHTS

The Village's approved general fund adopted budget for the year ended May 31, 2018 was \$3,767,650. The majority of the funding was real property tax revenue of \$1,928,909.

	Final Budget	Actual	Over/(Under)
Revenues			
Real property taxes	\$ 1,928,909	\$ 1,882,885	\$ (46,024)
State sources	298,341	377,382	79,041
Other	1,540,400	1,574,863	34,463
Total revenues	\$ 3,767,650	\$ 3,835,130	\$ 67,480
Expenditures			
General support	875,554	741,837	(133,717)
Public safety	788,153	774,318	(13,835)
Transportation	675,400	582,139	(93,261)
Culture & recreation	75,000	87,524	12,524
Home & community services	777,400	765,470	(11,930)
Employee benefits	521,143	462,518	(58,625)
Other	55,000	2,981	(52,019)
Total expenditures	\$ 3,767,650	\$ 3,416,787	\$ (350,863)

The \$67,480 change in total revenues includes \$435,000 of appropriated fund balance. The variance for actual revenues received excluding appropriated fund balance was \$502,480. Refer to the Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual-General Fund for more detailed information, which begins on page 46.

**THE INCORPORATED VILLAGE OF FLOWER HILL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended May 31, 2018**

6) CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

At May 31, 2018 the Village had invested in various capital assets, as indicated by the table below. A summary of the Village's capital assets net of depreciation is as follows:

	<u>2018</u>	<u>2017</u>	<u>Increase/ (Decrease)</u>
Land	\$ 5,111	\$ 5,111	\$ -
Land Improvements	56,111	56,111	-
Infrastructure	6,548,102	6,216,509	331,593
Structures	3,023,941	2,926,810	97,131
Vehicles and vehicle equipment	605,131	605,131	-
Machinery and equipment	<u>416,291</u>	<u>416,503</u>	<u>(212)</u>
Sub-Total	10,654,687	10,226,175	428,512
Less: accumulated depreciation	<u>(4,559,964)</u>	<u>(4,091,377)</u>	<u>(468,587)</u>
Total net capital assets	<u>\$ 6,094,723</u>	<u>\$ 6,134,798</u>	<u>\$ (40,075)</u>

The net decrease in capital assets is due to capital asset additions of \$430,512 offset by depreciation expense in the amount of \$469,851, and a loss on disposal of \$736.

B. Long-Term Debt

At May 31, 2018, the Village had no long-term debt obligations.

7) FACTORS BEARING ON THE VILLAGE'S FUTURE

A. The Board of Trustees approved the general fund budget in the amount of \$3,858,680 for the fiscal year ended May 31, 2019. This is an increase of \$91,030 or 2.42% from the previous year's budget.

8) CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the finances of the Village and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, contact:

Mayor Robert McNamara
Village of Flower Hill
1 Bonnie Heights Road
Manhasset, New York 11030

THE INCORPORATED VILLAGE OF FLOWER HILL
STATEMENT OF NET POSITION
 May 31, 2018

ASSETS	
Current Assets	
Cash	
Unrestricted cash	\$ 2,043,247
Receivables	
Taxes	42,512
Property acquired for taxes	71
Accounts receivable	81,031
Due from other governments	66,506
Due from fiduciary fund	91,441
Service award program assets	560,028
Non Current Assets	
Capital assets	
Being depreciated, net of accumulated depreciation	6,089,612
Not being depreciated	5,111
TOTAL ASSETS	<u>8,979,559</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	259,886
Length of service award programs	115,348
Other post-employment benefits	73,043
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>448,277</u>
LIABILITIES	
Payables	
Accounts payable	70,173
Accrued liabilities	11,801
Due to employees' retirement system	13,665
Unearned credits	
Collections in advance	1,539
Long-term liabilities	
Due and payable after one year	
Total other post-employment benefits obligation	667,177
Net pension liability - proportionate share - employees' retirement system	84,066
Length of service award program liability - proportionate share	1,077,788
TOTAL LIABILITIES	<u>1,926,209</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	267,870
Length of service award programs	10,209
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>278,079</u>
NET POSITION	
Net investment in capital assets	6,094,723
Restricted for:	
Length of service award program	560,028
Unrestricted	568,797
TOTAL NET POSITION	<u>\$ 7,223,548</u>

THE INCORPORATED VILLAGE OF FLOWER HILL
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended May 31, 2018

FUNCTIONS / PROGRAMS	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants	Revenue and Changes in Net Position
General support	\$ 498,516	\$ 133,642		\$ (364,874)
Public safety	933,433	903,402		(30,031)
Transportation	710,831			(710,831)
Economic opportunity and development	2,981			(2,981)
Culture and recreation	87,524			(87,524)
Home and community services	765,470			(765,470)
Depreciation (unallocated)	469,851			(469,851)
Total Functions and Programs	<u>\$ 3,468,606</u>	<u>\$ 1,037,044</u>	<u>\$ -</u>	<u>(2,431,562)</u>
GENERAL REVENUES				
Real property taxes				1,907,942
Interest and penalties on real property taxes				5,793
Payment in lieu of taxes				37,068
Non-property tax items				219,383
Use of money and property				87,141
Miscellaneous				24,231
State sources				377,382
Total General Revenues				<u>2,658,940</u>
Change in Net Position				227,378
Total Net Position - Beginning of Year (As restated, see Note 13)				<u>6,996,170</u>
Total Net Position - End of Year				<u>\$ 7,223,548</u>

THE INCORPORATED VILLAGE OF FLOWER HILL
BALANCE SHEET - GOVERNMENTAL FUNDS
 May 31, 2018

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash			
Unrestricted cash	\$ 2,043,247		\$ 2,043,247
Receivables			
Taxes	42,512		42,512
Property acquired for taxes	71		71
Accounts receivable	81,031		81,031
Due from other governments	66,506		66,506
Due from fiduciary fund	91,441		91,441
Service awards program assets	560,028		560,028
Total Assets	\$ 2,884,836	\$ -	\$ 2,884,836
LIABILITIES			
Payables			
Accounts payable	\$ 70,173		\$ 70,173
Accrued liabilities	11,801		11,801
Due to employees' retirement system	13,665		13,665
Unearned credits			
Collections in advance	1,539		1,539
Total Liabilities	97,178	-	97,178
DEFERRED INFLOWS OF RESOURCES			
Unavailable real property taxes	42,512		42,512
Total Deferred Inflows of Resources	42,512	-	42,512
FUND BALANCES			
Restricted			
Length of service award programs	560,028		560,028
Assigned			
Appropriated fund balance	435,000		435,000
Unassigned	1,750,118	-	1,750,118
Total Fund Balance	2,745,146	-	2,745,146
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 2,884,836	\$ -	\$ 2,884,836

**THE INCORPORATED VILLAGE OF FLOWER HILL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
May 31, 2018**

Total Governmental Fund Balances **\$ 2,745,146**

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

Deferred inflows of resources - The Statement of Net Position recognized revenues and expenditures revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual method. These amounts will be amortized in future years.

Deferred inflows related to pensions	(267,870)
Deferred inflows related to length of service award programs	(10,209)

Deferred inflows of resources - property taxes not available to pay for current period expenditures. The Statement of Net Position recognized revenues received under The full accrual method. Governmental funds recognize revenue under the modified accrual

42,512

Deferred outflows of resources - The Statement of Net Position recognizes expenditures incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method.

Deferred outflows related to pensions	259,886
Deferred outflows related to length of service award programs	115,348
Deferred outflows related to other post-employment benefits	73,043

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	\$ 10,654,687	
Accumulated depreciation	<u>(4,559,964)</u>	6,094,723

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

Total other post-employment benefits obligation	\$ (667,177)	
Net pension liability - proportionate share (ERS)	(84,066)	
Total length of service award program liability - proportionate share	<u>(1,077,788)</u>	<u>(1,829,031)</u>

Total Net Position **\$ 7,223,548**

THE INCORPORATED VILLAGE OF FLOWER HILL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
For the Fiscal Year Ended May 31, 2018

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Real property taxes	\$ 1,882,885		\$ 1,882,885
Interest and penalties on real property taxes	5,793		5,793
Payment in lieu of taxes	37,068		37,068
Non-property tax items	219,383		219,383
Use of money and property	87,141		87,141
Departmental income	88,985		88,985
Licenses and permits	878,402		878,402
Fines and forfeitures	69,637		69,637
Miscellaneous	24,231		24,231
State sources	377,382		377,382
Total Revenues	3,670,927	\$ -	\$ 3,670,927
EXPENDITURES			
General government support	741,837		741,837
Public safety	774,318		774,318
Transportation	582,139		582,139
Economic opportunity and development	2,981		2,981
Culture and recreation	87,524		87,524
Home and community services	765,470		765,470
Employee benefits	462,518		462,518
Total Expenditures	3,416,787	-	3,416,787
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	254,140	-	254,140
OTHER FINANCING SOURCES (USES)			
Operating transfers in	164,203		164,203
Operating transfers (out)		(164,203)	(164,203)
TOTAL OTHER FINANCING SOURCES (USES)	164,203	(164,203)	-
NET CHANGE	418,343	(164,203)	254,140
FUND BALANCES - BEGINNING OF YEAR (AS RESTATED, SEE NOTE 13)	2,326,803	164,203	2,491,006
FUND BALANCES - END OF YEAR	\$ 2,745,146	\$ -	\$ 2,745,146

THE INCORPORATED VILLAGE OF FLOWER HILL
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended May 31, 2018

Net Change in Fund Balances \$ 254,140

Capital Related Items

Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, in the Statement of Net Position those costs are capitalized and allocated over their useful lives as annual depreciation expense in the Statement of Activities.

Capital outlays	\$ 430,512	
Depreciation expense	(469,851)	
Loss on disposal	<u>(736)</u>	(40,075)

Long-Term Revenue and Expense Differences

The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual method. The difference in revenues recognized under the full accrual method for the year ended May 31, 2018 is 25,057

Increases/decreases in the proportionate share of the net pension liability and the length of service award program liability, and the total other post-employment benefit obligations, and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

Total other post-employment benefits	52,792	
Employees' retirement system	(1,318)	
Length of service award program	<u>(63,218)</u>	<u>(11,744)</u>

Change in Net Position \$ 227,378

THE INCORPORATED VILLAGE OF FLOWER HILL
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
May 31, 2018

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 592,820</u>
Total Assets	<u>\$ 592,820</u>
LIABILITIES	
Deposits held	\$ 501,379
Due to governmental funds	<u>91,441</u>
Total Liabilities	<u>\$ 592,820</u>

THE INCORPORATED VILLAGE OF FLOWER HILL
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended May 31, 2018

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

A. General statement:

The Village of Flower Hill (the "Village") was incorporated pursuant to an act of the New York State Legislature in 1931. The Village operates under a Board of Trustees form of government in accordance with New York State Village Law and the various other applicable laws of the State of New York. The Village Board of Trustees is the legislative body responsible for overall operation. The Village provides the following services to its residents as authorized by its charter: general support, public safety, culture and recreation, transportation, and community service.

The financial statements of The Incorporated Village of Flower Hill (the "Village") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Certain significant accounting principles and policies utilized by the Village are described below:

B. Financial reporting entity:

The Board of Trustees ("Board") 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 functions performed for the Village are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity is based on criteria set forth by GASB Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity; Omnibus- An Amendment of GASB Statements No. 14 and No. 34*. 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.

The decision to include a potential component unit in the Village is based on several criteria, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no other entities that would be included in the Village's reporting entity.

THE INCORPORATED VILLAGE OF FLOWER HILL
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended May 31, 2018

C. Basis of presentation:

The accounts of the Village are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts, which comprise its assets, liabilities, fund balances, revenues and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions.

i) Government -Wide Financial Statements:

The Statement of Net Position and the Statement of Activities present financial information about the Village's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Generally, governmental activities are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The Statement of Activities presents a comparison between program expenses and revenues for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

ii) Fund Financial Statements:

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

The Village reports the following major fund categories:

Governmental Funds:

General fund: This fund is the Village's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Capital projects fund – Capital projects fund is used to account for funds received and expended for the construction, renovation, expansion, and major improvement of various Village facilities and acquisition of land and other large nonrecurring projects.

THE INCORPORATED VILLAGE OF FLOWER HILL
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended May 31, 2018

Fiduciary Funds:

Fiduciary funds: These funds are used to account for fiduciary activities. Fiduciary activities are those in which the Village acts as trustee or agent for resources that belong to others. These activities are not included in the Government-Wide Financial Statements, because their resources do not belong to the Village, and are not available to be used. The Village has one class of fiduciary funds:

Agency funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the Village as an agent for individuals, private organizations, and other governmental units and for payroll or employee withholding.

D. Measurement focus and basis of accounting:

The Government-Wide Financial Statements and the Fiduciary Fund Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Village gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Village considers all revenues in the governmental funds including real property taxes, to be available if the revenues are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, other post-employment benefit obligations, and net pension and length of service award program liabilities, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Real property taxes:

Taxes are recorded as receivable on June 1, and become a lien on June 1. Payments must be received on or before July 1. Penalties are imposed thereafter at the rate of 5% for the first month and 1% per month thereafter.

THE INCORPORATED VILLAGE OF FLOWER HILL
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended May 31, 2018

F. 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.

G. 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 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 may be 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.

Refer to Note 5 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues activity.

H. Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingencies at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including other post-employment benefits, net pension amounts, length of service award program amounts and useful lives of capital assets.

I. Cash and cash equivalents:

The Village's cash and cash equivalents consist of cash on hand and demand deposits, as well as short-term investments with original maturities of three months or less from the date of acquisition.

THE INCORPORATED VILLAGE OF FLOWER HILL
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended May 31, 2018

J. Receivables:

Receivables are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

K. Capital assets:

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

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the Government-Wide Financial Statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Structures	\$500	Straight-line	50
Vehicles & Equipment	\$500	Straight-line	8-15
Machinery & Equipment	\$500	Straight-line	5-20
Infrastructure	\$500	Straight-line	20

L. Collections in advance:

Collections in advance arise when the Village receives resources before it has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the recognition criteria are met, or when the Village has legal claim to the resources, the liability for collections in advance is removed and revenues are recorded.

M. Deferred outflows and inflows of resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Village has three items that qualify for reporting in this category. The first item is related to pensions reported in the Government-Wide Statement of Net Position and is detailed further in Note 9. The second item is related to other post-employment benefits reported in the Government-Wide Statement of Net Position and is detailed further in Note 11. The third item is related to the LOSAP liability reported in the Government-Wide Statement of Net Position and is detailed further in Note 12.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not

THE INCORPORATED VILLAGE OF FLOWER HILL
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended May 31, 2018

be recognized as an inflow of resources (revenue) until then. The Village has two items that qualify for reporting in this category. The first item is related to pensions reported in the Government-Wide Statement of Net Position and is detailed further in Note 9. The second item is related to the LOSAP liability reported in the Government-Wide Statement of Net Position and is detailed further in Note 12.

In addition to liabilities, the Governmental Funds Balance Sheet will sometimes report deferred inflows of resources when potential revenues do not meet the availability criterion for recognition in the current period. These amounts are recorded as deferred inflows of resources. In subsequent periods, when the availability criterion is met, deferred inflows of resources are classified as revenues. The Government-Wide Financial Statements, however, report these deferred inflows of resources as revenues in accordance with the accrual basis of accounting and economic resources measurement focus.

N. Other benefits:

Village employees participate in the New York State and Local Employees' Retirement System. Village employees are eligible for these benefits when they reach normal retirement age. Village employees may choose to participate in the Village's elective deferred compensation plans established under Internal Revenue Code Section 457.

In addition to providing pension benefits, the Village provides health insurance coverage for active employees, as well as post-employment health insurance coverage and survivor benefits for retired employees hired prior to July 6, 1992. Health care benefits are provided through a plan whose premiums are based on the benefits paid during the year. The Village recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the Government-Wide Financial Statements, the cost of other post-employment benefits is recognized on the accrual basis of accounting in accordance with GASB Statement No. 75. See Note 11 for additional information.

O. 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 BANs issued for capital purposes are converted to long-term financing within five years after the original issue dated. The Village did not issue or redeem any short-term debt during the year.

P. 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 manner and in full from current financial resources. Bonds and other long-term

THE INCORPORATED VILLAGE OF FLOWER HILL
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended May 31, 2018

obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

Q. Length of service award program:

The Village jointly sponsors the Roslyn Volunteer Firefighter and Port Washington Fire Department, Inc. service award programs, and has reports its proportionate share of service award program assets. These assets are required to be held in trust by Article 11-A of New York State General Municipal Law. The underlying assets are reported at fair value based on quoted market prices and include cash and money market deposits, bonds, exchange traded funds, and mutual funds.

R. Equity classifications:

i) Government-Wide Financial Statements:

In the Government-Wide Financial Statements there are three classes of net position:

Net investment in capital assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction, or improvements of those assets.

Restricted net position -- reports net position 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.

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

ii) Fund Financial Statements:

There are five classifications of fund balance as detailed below; however, in the Fund Financial Statements there are three classifications of fund balance presented:

1) **Non-spendable fund balance** -- Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The Village had no nonspendable fund balance as of May 31, 2018.

2) **Restricted fund balance** -- Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or

THE INCORPORATED VILLAGE OF FLOWER HILL
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended May 31, 2018

regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The Village has established the following restricted fund balance:

Restricted for length of service award program -- program assets are restricted for the purpose of providing benefits to plan participants. The assets are held in trust and accounted for in the general fund.

- 3) Committed fund balance -- Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the Village's highest level of decision making authority (i.e. Board of Trustees). The Village had no committed fund balances as of May 31, 2018.
- 4) Assigned fund balance -- Includes amounts that are subject to a purpose constraint that represents an intended use established by the Village's 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 Board designations not classified as restricted or committed at the end of the fiscal year. The Village had \$435,000 assigned fund balance as of May 31, 2018.
- 5) Unassigned fund balance -- Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance.

Order of Use of Fund Balance

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

S. New accounting standards:

During the fiscal year ended May 31, 2018, the Village adopted and implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not within the Scope of GASB Statement No. 68*. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments. The Statement establishes requirements for pension plans that do not fall within the scope of GASB No. 68, *Accounting and Reporting for Pensions*. The adoption of this Statement resulted in the restatement of certain items pertaining to the May 31, 2017 Government-Wide Financial Statements. Refer to Note 13 for more information.

THE INCORPORATED VILLAGE OF FLOWER HILL
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended May 31, 2018

The Village has adopted and implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. The adoption of this Statement resulted in the restatement of certain items pertaining to the May 31, 2017 Government-Wide Financial Statements. Refer to Note 13 for more information.

T. Future changes in accounting standards:

GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for fiscal year ended May 31, 2020, which provides guidance for the reporting of certain legally enforceable liabilities associated with the retirement of a tangible capital asset.

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the fiscal year ended May 31, 2020. It provides guidance for identifying fiduciary activities, primarily based on whether the government is controlling the assets, and the beneficiaries with whom the fiduciary relationship exists, and on how different fiduciary activities should be reported.

GASB has issued Statement No. 87, *Leases*, effective for fiscal year ended May 31, 2021. This Statement establishes a single model for lease accounting based on the idea that leases are financings of the right-to-use an underlying asset. As such, under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and the lessor is required to recognize a lease receivable and a deferred inflow of resources.

These are the statements that the Village feels may have an impact on these financial statements and are not an all-inclusive list of GASB statements issued. The Village will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND FINANCIAL STATEMENTS AND VILLAGE-WIDE FINANCIAL STATEMENTS:

Due to the differences in the measurement focus and basis of accounting used in the Fund Financial Statements and the Government-Wide Financial Statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

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

Total fund balances of the Village's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. The difference primarily

THE INCORPORATED VILLAGE OF FLOWER HILL
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended May 31, 2018

results from additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

B. Statement of revenues, expenditures, and changes in fund balances vs. statement of activities:

Differences between the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities fall into one of two broad categories. The amounts shown represent:

i) **Capital related differences:**

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

ii) **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.

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary data:

The Village generally follows the procedures enumerated below in establishing the budgetary data reflected in the financial statements.

- i) No later than March 20, the budget officer submits a tentative budget to the Board of Trustees for the fiscal year commencing the following June 1. The tentative budget includes proposed expenditures and the proposed means of financing for the general fund.
- ii) After public hearings are conducted to obtain taxpayer comments, no later than May 1, the governing board adopts the budget.
- iii) All modifications of the budget must be approved by the governing board. The Treasurer, however, is authorized to make budget transfers within departments.

Formal budgetary accounting is employed as a management control in the general fund. Expenditures are appropriated and compared to actual results in the general fund Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual.

THE INCORPORATED VILLAGE OF FLOWER HILL
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended May 31, 2018

The Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund presents a comparison of budgetary data to actual results. The general fund utilizes the same basis of accounting for both budgetary purposes and actual results.

Budgeted amounts are as originally adopted, or as amended by the Board of Trustees. Individual amendments for the current year were not material in relation to the original appropriations which were amended. Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward.

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the Village's 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.

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 part of assigned fund balance, if applicable, 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.

NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A. Cash:

The Village's investment policies are governed by New York State statutes. In addition, the Village is required to have 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, time deposit 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.

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. While the Village does not have a specific policy for custodial credit risk. New York State statutes govern the Village's investment policies, as discussed previously in these Notes.

All of the Village's aggregate bank balances were covered by depository insurance or collateralized with securities held by pledging financial institutions in the Village's name at year end. None were exposed to custodial credit risk as described above at year end.

THE INCORPORATED VILLAGE OF FLOWER HILL
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended May 31, 2018

NOTE 5 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS AND FIDUCIARY FUND:

The Village typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. It is expected that all interfund payables should be repaid within one year.

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Reccivables</u>	<u>Payables</u>	<u>Revenues</u>	<u>Expenditures</u>
General fund	\$ 91,441		\$ 164,203	
Capital projects fund				\$ 164,203
Total government activities	<u>91,441</u>	-	<u>164,203</u>	<u>164,203</u>
Fiduciary agency fund		\$ 91,441		
Totals	<u>\$ 91,441</u>	<u>\$ 91,441</u>	<u>\$ 164,203</u>	<u>\$ 164,203</u>

The Village transferred monies from the capital projects fund to the general fund to return unneeded authorizations.

NOTE 6 - CAPITAL ASSETS:

Capital asset balances and activity for the fiscal year ended May 31, 2018 were as follows:

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	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 5,111	\$ -	\$ -	\$ 5,111
Total capital assets not being depreciated	<u>5,111</u>	<u>-</u>	<u>-</u>	<u>5,111</u>
Capital assets that are depreciated:				
Land improvements	56,111			56,111
Infrastructure	6,216,509	331,593		6,548,102
Structures	2,926,810	97,131		3,023,941
Vehicles and vehicle equipment	605,131			605,131
Machinery and equipment	416,503	1,788	(2,000)	416,291
Total capital assets being depreciated	<u>10,221,064</u>	<u>430,512</u>	<u>(2,000)</u>	<u>10,649,576</u>
Less accumulated depreciation:				
Land improvements	19,612	2,806		22,418
Infrastructure	2,573,853	319,117		2,892,970
Structures	762,724	82,326		845,050
Vehicles and vehicle equipment	448,118	45,246		493,364
Machinery and equipment	287,070	20,356	(1,264)	306,162
Total accumulated depreciation	<u>4,091,377</u>	<u>469,851</u>	<u>(1,264)</u>	<u>4,559,964</u>
Total capital assets being depreciated, net	<u>6,129,687</u>	<u>(39,339)</u>	<u>(736)</u>	<u>6,089,612</u>
Total capital assets, net	<u>\$ 6,134,798</u>	<u>\$ (39,339)</u>	<u>\$ (736)</u>	<u>\$ 6,094,723</u>

NOTE 7 - SHORT-TERM DEBT:

The Village did not issue or redeem any short-term debt during the year.

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NOTE 8- LONG-TERM LIABILITIES:

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Total other post-employment benefits obligation*	713,814	25,262	71,899	667,177	
LOSAP liability - proportionate share**	933,739	178,566	34,517	1,077,788	
Net pension liability proportionate share - employees' retirement system	230,885		146,819	84,066	
Total long-term liabilities	<u>\$ 1,878,438</u>	<u>\$ 203,828</u>	<u>\$ 253,235</u>	<u>\$ 1,829,031</u>	<u>\$ -</u>

*Beginning balance as restated for GASB Statement No. 75

**Beginning balance as restated for GASB Statement No. 73

The general fund has typically been used to liquidate long-term liabilities such as other post-employment benefits, net pension, and LOSAP liabilities.

NOTE 9 - PENSION PLANS:

A. Plan description and benefits provided:

Employees' Retirement System

The Village participates in the New York State and Local Employees' Retirement System ("the System"). This is a cost-sharing, multiple-employer, defined benefit pension plan. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all new assets and record changes in plan net position allocated to the System.

The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Village also participates in the Public Employees' Group Life Insurance Plan (GLIP) which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with

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regard to benefits provided, may be found at 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.

B. Funding policies:

The System is noncontributory, except as follows:

- a. Employees who joined the system after July 27, 1976
 - i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
- b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
 - i. Employees contribute 3% of their salary throughout active membership.
- c. Employees who joined the system on or after April 1, 2012
 - i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.

The Comptroller certifies the actuarially determined rates expressed as proportions of members' payroll annually which are used in computing the contributions required to be made by employers to the pension accumulation fund.

The Village contributions made to the System was equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years based on covered payroll for the Village's fiscal year-end were:

	<u>NYERS</u>
2018	\$ 113,844
2017	\$ 110,188
2016	\$ 127,667

C. Pension assets, liabilities, pension expense, and deferred outflows and inflows of resources related to pensions:

At May 31, 2018, the Village reported the following liability for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the Village.

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Measurement date	March 31, 2018
Net pension liability	\$ 84,066
Village's portion of the Plan's total net pension liability	0.0026047%
Change in proportion since the prior measurement date	0.0001475%

For the fiscal year ended May 31, 2018, the Village recognized pension expense of \$115,163. At May 31, 2018 the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 29,984	\$ 24,777
Changes of assumptions	55,743	
Net difference between projected and actual earnings on pension plan investments	122,099	241,011
Changes in proportion and differences between employer contributions and proportionate share of contributions	38,395	2,082
Employer contributions subsequent to the measurement date	13,665	
	<u>\$ 259,886</u>	<u>\$ 267,870</u>

Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended May 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ended:	
2019	\$ 31,527
2020	24,815
2021	(54,460)
2022	(23,531)
	<u>\$ (21,649)</u>

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Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuation used the following actuarial assumptions:

Measurement date	March 31, 2018
Actuarial valuation date	April 1, 2017
Interest rate	7.00%
Salary scale	3.80%
Cost of living adjustments	1.3% annually
Descrement tables	April 1, 2010 - March 31, 2015
	System's Experience
Inflation rate	2.50%

The annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014.

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

The long-term rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selections of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns net of investment expense and inflation) for each major asset class, as well as historical investment data and plan performance. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

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Valuation date	<u>April 1, 2017</u>	
<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	36%	4.55%
International equity	14%	6.35%
Private equity	10%	7.50%
Real Estate	10%	5.55%
Absolute return strategies	2%	3.75%
Opportunistic portfolio	3%	5.68%
Real assets	3%	5.29%
Bond and mortgages	17%	1.31%
Cash	1%	(0.25%)
Inflation-indexed bonds	4%	1.25%
	<u>100%</u>	

Discount Rate

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

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Village's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.0%, as well as what the Village's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 %) or 1-percentage point higher (8.0%) than the current rate:

<u>ERS</u>	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
Employer's proportionate share of the net pension asset (liability)	<u>\$ (636,064)</u>	<u>\$ (84,066)</u>	<u>\$ 382,903</u>

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Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the respective valuation date were as follows:

	(Dollars in Thousands)
Valuation date	April 1, 2017
Employers' total pension liability	\$ (183,400,590)
Plan Fiduciary Net Position	180,173,145
Employers' net pension liability	<u>\$ (3,227,445)</u>
Ratio of plan fiduciary net position to the Employers' total pension liability	98.24%

Payables to the Pension Plan

Employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of May 31, 2018 represent the projected employer contribution for the period of April 1, 2018 through May 31, 2018 based on paid wages multiplied by the employer's contribution rate, by tier. Accrued ERS retirement contributions as of May 31, 2018 amounted to \$13,665.

NOTE 10 – OTHER RETIREMENT PLANS:

A. 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 to the Plan. The amount deferred by eligible employees for the year ended May 31, 2018 was \$26,870.

NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB):

A. General Information about the OPEB Plan:

Plan Description

The Village's OPEB Plan (the "Plan"), defined as a single employer defined benefit plan, primarily provides post-employment health insurance coverage to retired employees and their spouses if hired prior to July 6, 1992. Benefits are provided through the New York State Health Insurance Program (NYSHIP). Article 37 of the Statutes of the State assigns the authority to establish and amend benefit provisions to the Village. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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Benefits Provided

The Plan provides medical and Medicare Part B benefits for retired employees hired prior to July 6, 1992 and their spouses. Benefit terms provide for the Village to contribute 100% of premiums for retirees and 100% of the premiums for surviving spouses. The Village recognizes the cost of the Plan annually as expenditures in the fund financial statements as payments are accrued. For the measurement year ended June 1, 2017, the Village contributed an estimated \$66,888 to the Plan, including \$66,888 for current premiums and \$0 to prefund benefits. Currently, there is no provision in the law to permit the Village to fund OPEB by any other means than the "pay as you go" method.

Employees Covered by Benefit Terms

At June 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	6
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	-
Total members	<u>6</u>

B. Total OPEB Liability:

The Village's total OPEB liability of \$667,177 was measured as of June 1, 2017, and was determined by an actuarial valuation as of June 1, 2017 using the alternate measurement method.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.58%
Healthcare cost trend rates	6.00% for 2017, and thereafter
Retirees' share of benefit-related costs	0% of health insurance premiums for retirees and surviving spouse coverage

Mortality rates were based on the 94 GAR, projected to 2002.

The actuarial assumptions used in the June 1, 2017 valuation were determined using the Entry Age Normal Cost Method with 10-year amortization of initial OPEB liability. The Plan does

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not have credible data on which to perform an experience study. As a result, a full actuarial experience study is not applicable.

C. Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at June 1, 2016	\$ 713,814
Changes for the fiscal year:	
Service cost	
Interest	25,262
Changes of benefit terms	
Differences between expected and actual experience	(5,011)
Changes in assumptions or other inputs	
Benefit payments	(66,888)
Net changes	(46,637)
Balance at June 1, 2017	\$ 667,177

There were no significant plan changes since the last valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Village, as well as what the Village's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current discount rate:

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB liability	\$713,749	\$667,177	\$625,601

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Village, as well as what the Village's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.00%) than the current healthcare cost trend rates:

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	1% Decrease (5.00%)	Healthcare Cost Trend Rates (6.00%)	1% Increase (7.00%)
Total OPEB liability	\$626,150	\$667,177	\$712,197

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the fiscal year ended May 31, 2018, the Village recognized OPEB expense of \$20,251. At May 31, 2018, the Village reported deferred outflows of resources related to OPEB of \$73,043. This represents the Village's payments subsequent to the measurement date. The Village's payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ended May 31, 2019.

NOTE 12 – LENGTH OF SERVICE AWARDS PROGRAM – LOSAP:

Plan Description

The Village participates in two multi-employer, defined benefit, length of service award programs ("LOSAPs") established under section 457(e)(11) of the Internal Revenue Code. The Roslyn Volunteer Firefighter Service Award Program took effect on January 1, 1996 for the active volunteer firefighters of the Roslyn Highlands Hook & Ladder, Engine & Hose Company, Inc. and the Rescue Hook & Ladder Company No. 1. The ten municipalities sponsoring this program are the Town of North Hempstead, Town of Oyster Bay, Village of Brookville, Village of East Hills, Village of Flower Hill, Village of North Hills, Village of Old Westbury, Village of Roslyn, Village of Roslyn Estates, and Village of Roslyn Harbor. The Port Washington Fire Department, Inc. Service Award Program took effect on January 1, 1993 for the active volunteer firefighters of the Port Washington Fire Department, Inc. The seven municipalities sponsoring this program are the Town of North Hempstead, Village of Flower Hill, Village of Baxter Estates, Village of Manorhaven, Village of Plandome Manor, Village of Port Washington North, and Village of Sands Point. Both programs were established pursuant to Article 11-A of the New York State General Municipal Law. The programs provide municipally-funded pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters. The Village is a member of the joint sponsoring board of both programs along with other local municipalities. The information contained in this note is based on information for the LOSAPs for the plan year ending December 31, 2017, which is the most recent plan year for which complete information is available.

Under both LOSAP programs, an eligible program participant is defined to be an active volunteer firefighter who is at least 18 years of age and has earned one year of Service Award Program Service Credit. An active volunteer firefighter earns a year of Service Credit for each calendar year after the establishment of the Program in which he or she accumulates 50 points. Points are granted for the

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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 Credit for five years of active volunteer firefighting service rendered prior to the establishment of the Program.

For the Roslyn LOSAP, participants acquire a non-forfeitable right to be paid a Service Award after earning five years of Service Credit, becoming totally and permanently disabled, dying while an active volunteer, or upon attaining the Program's Entitlement Age while an active volunteer. The Program's Entitlement Age is 62 and is the age at which benefits begin to be paid to Participants.

For the Port Washington LOSAP, participants acquire a non-forfeitable right to be paid a Service Award after earning five years of Service Credit upon attaining the Program's Entitlement Age while an active volunteer. The Program's Entitlement Age is age 65 and is the age at which benefits begin to be paid to Participants.

Benefits Provided

Under both LOSAP programs, 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 \$20.00 multiplied by the total number of years of Service Credit earned by the participant. The maximum number of years of Service Credit a participant may earn is 30 years under the Roslyn Volunteer Firefighter Service Award Program and 40 years under the Port Washington Fire Department, Inc. Service Award Program. Currently, there are no other forms of payment of a volunteer's earned Service Award under the programs. 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 who may have commenced receiving a Service Award have the opportunity to earn Service Credit and 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. All death and disability benefits are self-insured and paid from each program's Trust Fund. The programs do not provide extra line-of-duty death or disability benefits. Under the Roslyn Volunteer Firefighter Service Award Program only, if a pre-Entitlement Age participant is an active member at the time of death, the minimum death benefit payable is \$10,000.

Participants Covered by the Benefit Terms

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

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	Roslyn LOSAP	Port Washington LOSAP
Inactive participants currently receiving benefit payments	42	46
Inactive participants entitled to but not yet receiving benefit payments	82	65
Active participants	113	225
Total	237	336

Contributions

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

Trust Assets

Although assets have been accumulated in an irrevocable trust such that the assets are dedicated to providing pensions to plan members in accordance with benefit terms, the trust assets are not legally protected from creditors of the Village. As such, the trust assets do not meet the criteria in paragraph 4 of GASB Statement No. 73.

Measurement of Total LOSAP Liability

The total LOSAP liability at the December 31, 2017 measurement date was determined using an actuarial valuation as of December 31, 2016, with update procedures used to roll forward the total LOSAP liability to December 31, 2017.

Actuarial Assumptions

The total LOSAP liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Salary Scale:	None assumed

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

Discount Rate

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

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this index, S&P Dow Jones Indices notes that the index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years and with a rating of at least Aa2 by Moody's Investors Service's, AA by Fitch, or AA by Standard & Poor's Rating Services.

Proportionate Share of LOSAP Liabilities

Roslyn LOSAP	
Measurement date	December 31, 2017
LOSAP liability	\$ 455,233
Village's portion of the Plan's total LOSAP liability	7.0066%
Change in proportion since the prior measurement date	0.1986%

Port Washington LOSAP	
Measurement date	December 31, 2017
LOSAP liability	\$ 622,555
Village's portion of the Plan's total LOSAP liability	7.2860%
Change in proportion since the prior measurement date	-

Sensitivity of the Total LOSAP Liability to Changes in the Discount Rate

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

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
Village's proportionate share of Roslyn LOSAP liability	\$543,574	\$455,233	\$385,808
Village's proportionate share of Port Washington LOSAP liability	737,881	622,555	529,608
Total LOSAP liability - proportionate share	\$543,574	\$455,233	\$385,808

LOSAP Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to LOSAP

For the fiscal year ended May 31, 2018 the Village recognized LOSAP expense of \$78,054. Of this amount, \$30,575 was attributable to the Roslyn LOSAP and \$47,479 was attributable to the Port

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Washington LOSAP. At May 31, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to LOSAP from the following sources:

	<u>Deferred Outflows</u> of Resources	<u>Deferred Inflows</u> of Resources
Roslyn LOSAP:		
Differences between expected and actual experience	\$ 4,786	
Changes of assumptions or other inputs	36,871	
Changes in proportion	11,837	
Benefit payments & administrative expenses subsequent to the measurement date	6,488	
Port Washington LOSAP:		
Differences between expected and actual experience		\$ 10,209
Changes of assumptions or other inputs	50,393	
Changes in proportion		
Benefit payments & administrative expenses subsequent to the measurement date	4,973	
	<u>\$ 115,348</u>	<u>\$ 10,209</u>

Deferred outflows of resources related to LOSAP resulting from Village transactions subsequent to the measurement date reported in the amount of \$11,461 are comprised of \$6,488 for the Roslyn LOSAP and \$4,973 for the Port Washington LOSAP and will be recognized as a reduction of the total LOSAP liability in the year ended May 31, 2019.

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

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Year Ended May 31:	Roslyn LOSAP	Port Washington LOSAP	Total
2019	\$4,819	\$2,511	\$7,330
2020	4,819	2,511	7,330
2021	4,819	2,511	7,330
2022	4,819	2,511	7,330
2023	4,819	2,511	7,330
Thereafter	29,397	27,626	57,023
	<u>\$53,492</u>	<u>\$40,181</u>	<u>\$93,673</u>

NOTE 13 – PRIOR PERIOD ADJUSTMENTS:

For the fiscal year ended May 31, 2018, the Village implemented GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The implementation of GASB Statement No. 73 resulted in the reporting of a LOSAP asset, deferred outflow of resources and liability related to LOSAP.

For the fiscal year ended May 31, 2018, the Village also implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The implementation of GASB Statement No. 75 resulted in the reporting of total OPEB liability related to the Village's OPEB Plan, as well as deferred outflows of resources.

The Village's net position has been restated as follows:

	General Fund Fund Balance	Government-Wide Net Position
Balance as of June 1, 2017, as reported	\$ 1,849,345	\$ 8,138,823
GASB Statement No. 73 implementation		
Addition of beginning LOSAP plan assets	477,458	477,458
Addition of beginning LOSAP liability		(933,739)
Addition of beginning deferred outflows of resources for LOSAP contributions subsequent to the measurement date		24,308
GASB Statement No. 75 implementation		
Removal of beginning net OPEB asset		(63,754)
Addition of beginning total OPEB liability		(713,814)
Addition of beginning deferred outflows of resources for OPEB contributions subsequent to the measurement date		66,888
Balance as of June 1, 2017, as restated	<u>\$ 2,326,803</u>	<u>\$ 6,996,170</u>

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NOTE 14 – RISK MANAGEMENT:

The Village is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. 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.

NOTE 15 – COMMITMENTS AND CONTINGENCIES:

A. Litigation:

As of May 31, 2018, management is unaware of any pending litigation or unasserted claims or assessments against the Village which require reporting or disclosures.

B. Certiorari proceedings:

From time to time, the Village is involved in certiorari proceedings under which taxpayers seek reduction in the assessed value of property upon which taxes are measured. A reduction in assessed valuation may result in a refund of real property taxes previously paid by the claimant.

It is not possible to estimate the amount of refunds, if any, that the Village may be required to make for the taxes collected through May 31, 2018, which could affect future operating budgets of the Village.

NOTE 16 – SUBSEQUENT EVENTS:

The Village has evaluated subsequent events through February 15, 2019, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements.

THE INCORPORATED VILLAGE OF FLOWER HILL
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended May 31, 2018

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 1,928,909	\$ 1,928,909	\$ 1,882,885	\$ (46,024)
Interest and penalties on real property taxes	15,000	15,000	5,793	(9,207)
Payment in lieu of taxes	40,000	40,000	37,068	(2,932)
Non-property tax items	187,000	187,000	219,383	32,383
Use of money and property	4,900	4,900	87,141	82,241
Departmental income	66,000	66,000	88,985	22,985
Licenses and permits	659,500	659,500	878,402	218,902
Fines and forfeitures	65,000	65,000	69,657	4,657
Miscellaneous	68,000	68,000	24,231	(43,769)
Total Local Sources	3,034,309	3,034,309	3,293,545	259,236
State Sources				
Per capita	20,000	20,000	24,530	4,530
Mortgage tax	135,000	135,000	185,474	50,474
Highway aid	130,000	130,000	154,416	24,416
Sales tax aid	13,341	13,341	12,962	(379)
Total State Sources	298,341	298,341	377,382	79,041
Total Revenues	3,332,650	3,332,650	3,670,927	338,277
Other Financing Sources				
Interfund Transfers	-	-	164,203	164,203
Total Revenues and Other Financing Sources	3,332,650	3,332,650	\$ 3,835,130	\$ 502,480
Appropriated Fund Balance	435,000	435,000		
Total Revenues, Other Financing Sources, and Appropriated Fund Balance	\$ 3,767,650	\$ 3,767,650		

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.

THE INCORPORATED VILLAGE OF FLOWER HILL
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Fiscal Year Ended May 31, 2018

	Original Budget	Final Budget	Actual	Year-End Encumbrances	Final Budget Variance with Actual and Encumbrances
EXPENDITURES					
GENERAL GOVERNMENT SUPPORT					
Board of trustees	\$ 3,000	\$ 3,000	\$ 287	\$ -	\$ 2,713
Village Justice	77,523	77,523	80,038	-	(2,515)
Mayor	1,000	1,000	727	-	-
Auditor	18,000	18,000	22,908	-	(4,908)
Budget Officer	300	300	129	-	-
Assessment	1,750	1,750	351	-	-
Taxes	500	500	-	-	-
Treasurer/Clerk	258,581	258,581	265,887	-	(7,306)
Law	96,500	96,500	76,182	-	20,318
Engineer	50,000	50,000	49,960	-	40
Elections	1,400	1,400	737	-	663
Building	103,000	103,000	101,773	-	1,227
Central garage	41,000	41,000	14,272	-	26,728
Unallocated insurance	60,000	60,000	62,891	-	(2,891)
Municipal association dues	11,000	11,000	14,630	-	(3,630)
Judgments & claims	50,000	50,000	49,667	-	333
Other	2,000	2,000	774	-	-
Contingency	100,000	100,000	624	-	99,376
Total General Government Support	<u>875,554</u>	<u>875,554</u>	<u>741,837</u>	<u>-</u>	<u>133,717</u>
PUBLIC SAFETY					
Code Officer	81,355	81,355	82,591	-	(1,236)
Fire department	517,749	517,749	446,047	-	71,702
Safety inspection	189,049	189,049	245,680	-	(56,631)
Total Public Safety	<u>788,153</u>	<u>788,153</u>	<u>774,318</u>	<u>-</u>	<u>13,835</u>
TRANSPORTATION					
Street administration	85,000	85,000	90,746	-	(5,746)
Street maintenance	542,400	542,400	455,275	-	87,125
Snow plow	40,000	40,000	25,884	-	14,116
Street lighting	8,000	8,000	10,234	-	(2,234)
Total Transportation	<u>675,400</u>	<u>675,400</u>	<u>582,139</u>	<u>-</u>	<u>93,261</u>
ECONOMIC OPPORTUNITY AND DEVELOPMENT					
Publicity	5,000	5,000	2,981	-	2,019
Total Economic Opportunity and Development	<u>5,000</u>	<u>5,000</u>	<u>2,981</u>	<u>-</u>	<u>2,019</u>
Balance carried forward	<u>\$ 2,344,107</u>	<u>\$ 2,344,107</u>	<u>\$ 2,101,275</u>	<u>\$ -</u>	<u>\$ 242,832</u>

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 FLOWER HILL
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Fiscal Year Ended May 31, 2018

	Original Budget	Final Budget	Actual	Year-End Encumbrances	Final Budget Variance with Actual and Encumbrances
Balance carried forward	\$ 2,344,107	\$ 2,344,107	\$ 2,101,275	\$ -	\$ 242,832
<u>CULTURE AND RECREATION</u>					
Parks and recreation	75,000	75,000	87,524		(12,524)
Total Culture and Recreation	<u>75,000</u>	<u>75,000</u>	<u>87,524</u>	-	<u>(12,524)</u>
<u>HOME AND COMMUNITY SERVICE</u>					
Refuse and garbage	767,400	767,400	756,800		10,600
Sanitation	10,000	10,000	8,670		1,330
Total Home and Community Service	<u>777,400</u>	<u>777,400</u>	<u>765,470</u>	-	<u>11,930</u>
<u>EMPLOYEE BENEFITS</u>					
Worker's compensation	50,000	50,000	33,851		16,149
Disability insurance	2,000	2,000			2,000
Health insurance	250,000	250,000	225,982		24,018
Social security benefits	54,000	54,000	55,011		(1,011)
Length of service award programs	50,143	50,143	33,830		16,313
State retirement system	115,000	115,000	113,844		1,156
Total Employee Benefits	<u>521,143</u>	<u>521,143</u>	<u>462,518</u>	-	<u>58,625</u>
<u>OTHER FINANCING USES</u>					
Interfund Transfers	50,000	50,000			50,000
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 3,767,650</u>	<u>\$ 3,767,650</u>	<u>\$ 3,416,787</u>	\$ -	<u>\$ 350,863</u>
Net change in fund balances			418,343		
Fund balances - beginning of year, as restated			<u>2,326,803</u>		
Fund balances - end of year			<u>\$ 2,745,146</u>		

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.

**THE INCORPORATED VILLAGE OF FLOWER HILL
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE VILLAGE'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
For the Fiscal Year Ended May 31, 2018**

Total OPEB Liability		
Service cost	\$	-
Interest		25,262
Changes of benefit terms		-
Differences between expected and actual experience		(5,011)
Changes of assumptions or other inputs		-
Benefit payments		<u>(66,888)</u>
Net change in total OPEB liability		(46,637)
Total OPEB liability - beginning		<u>713,814</u>
Total OPEB liability - ending	\$	<u>667,177</u>
Covered-employee payroll	\$	-
Total OPEB liability as a percentage of covered-employee payroll		-

Notes to Schedule:

Trust Assets

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No.75 to pay related benefits.

The amounts presented for the fiscal year were determined as of the measurement date of the plan.

**THE INCORPORATED VILLAGE OF FLOWER HILL
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF VILLAGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 For the Fiscal Years Ended May 31, ***

<u>NYSERS Pension Plan</u>			
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Village's proportion of the net pension liability	0.0026047%	0.0024572%	0.0002968%
Village's proportionate share of the net pension liability	\$ 84,066	\$ 230,886	\$ 408,074
Village's covered payroll	\$ 802,329	\$ 776,527	\$ 727,605
Village's proportionate share of the net pension liability as a percentage of its covered -employee payroll	10.48%	29.73%	56.08%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.68%

*The amounts presented for each fiscal year were determined as of the measurement date of the plan.

THE INCORPORATED VILLAGE OF FLOWER HILL
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF VILLAGES CONTRIBUTIONS
For the Last Ten Fiscal Years Ended May 31,

NYSERS Pension Plan

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 113,844	\$ 110,188	\$ 127,667	\$ 124,149	\$ 162,313	\$ 123,880	\$ 91,345	\$ 59,539	\$ 42,758	\$ 29,314
Contributions in relation to the contractually required contribution	<u>113,844</u>	<u>110,188</u>	<u>127,667</u>	<u>124,149</u>	<u>162,313</u>	<u>123,880</u>	<u>91,345</u>	<u>59,539</u>	<u>42,758</u>	<u>29,314</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered employee payroll	\$ 791,076	\$ 776,527	\$ 727,605	\$ 690,651	\$ 721,360	\$ 621,516	\$ 554,181	\$ 530,324	\$ 516,860	\$ 409,602
Contributions as a percentage of covered employee payroll	14.39%	14.19%	17.55%	17.98%	22.50%	19.93%	16.48%	11.23%	8.27%	7.16%

**THE INCORPORATED VILLAGE OF FLOWER HILL
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF VILLAGE'S PROPORTIONATE SHARE OF THE TOTAL LOSAP LIABILITY
 For the Fiscal Years Ended May 31, ***

Length of Service Award Programs (LOSAPs)		
	<u>2018</u>	2017
<u>Roslyn LOSAP</u>		
Village's proportion of the total LOSAP liability	7.0066%	6.8080%
Village's proportionate share of the total LOSAP liability	\$ 455,233	\$ 387,217
<u>Port Washington LOSAP</u>		
Village's proportion of the total LOSAP liability	7.2860%	7.2860%
Village's proportionate share of the total LOSAP liability	\$ 622,555	\$ 546,522

Notes to Required Supplementary Information

Changes of assumptions or other inputs

The discount rate used to measure the total pension liability was based on the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index and was as follows:

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

Trust Assets

There are not assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73 to pay related benefits.

*The amounts presented for each fiscal year were determined as of the measurement dates of the plans.

**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
Incorporated Village Flower Hill

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, general fund, and the fiduciary fund of the Incorporated Village of Flower Hill, as of and for the fiscal year ended May 31, 2018, and the related notes to the financial statements, which collectively comprise the Incorporated Village of Flower Hill's basic financial statements, and have issued our report thereon dated February 15, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Incorporated Village of Flower Hill'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 Incorporated Village of Flower Hill's internal control. Accordingly, we do not express an opinion on the effectiveness of the Incorporated Village of Flower Hill'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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Incorporated Village of Flower Hill's financial statements are free of 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.

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, New York
February 15, 2019