

VILLAGE OF MONTEBELLO, NEW YORK

Basic Financial Statements,  
Supplementary Information and  
Independent Auditors' Report

December 31, 2018

VILLAGE OF MONTEBELLO, NEW YORK

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 12
Basic Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Balance Sheet - Governmental Funds	15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	16
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	18
Statement of Fiduciary Net Position	19
Notes to Financial Statements	20 - 36
Required Supplementary Information:	
Schedule of Revenue and Expenditures - Budget to Actual - General Fund	37
Schedule of Village's Proportionate Share of the Net Pension Liability	38
Schedule of Village's Pension Contributions	39
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	40 - 41

## INDEPENDENT AUDITORS' REPORT

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The Mayor and Members of the Village Board  
Village of Montebello, New York  
Montebello, New York:

### Report on the Financial Statements

We have audited the accompanying financial statements of the government activities, each major fund and the aggregate remaining fund information of the Village of Montebello, New York (the Village) as of and for the year ended December 31, 2018, and the related notes to financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' 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 of 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 Village'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 Village'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.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, each major fund and the aggregate remaining fund information of the Village of Montebello, New York as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 12 and the required supplementary information on pages 37 through 39 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 the 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 response to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2019, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Village's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York  
September 20, 2019

## VILLAGE OF MONTEBELLO, NEW YORK

### Management's Discussion and Analysis

December 31, 2018

The following is a discussion and analysis of the Village of Montebello, New York's (the Village) financial performance for the year ended December 31, 2018. The Village's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Village's financial activity, (c) identify changes in the Village's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget) and (e) identify individual fund issues or concerns.

This section is a summary of the Village's financial activities based on currently known facts, decisions or conditions. It is also based on both the government-wide and fund-based financial statements. 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.

#### FINANCIAL HIGHLIGHTS

- Assets and deferred outflows of resources of the Village exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$7,456,393 (net position), of which \$1,491,671 (unrestricted net position) may be used to meet the governments ongoing obligations to citizens and creditors.
- As of the close of the current year, the Village's governmental funds reported combined ending fund balances of \$1,523,376, a decrease of \$300,886 in comparison with the prior year fund balances. The main cause of this decrease was that there was a decrease in departmental income received during the year which was mainly related to a decrease in safety inspection fees.
- At the end of the current fiscal year, assigned fund balance of the general fund was \$315,433, which represents amounts appropriated for the 2019 Village budget, and unassigned fund balance (amounts available for spending) of \$1,095,424. Unassigned fund balance is 46% of the total general fund expenditures.
- The Village's total scheduled indebtedness decreased by \$195,000 during the current year. The Village's debt will be paid in full in 2022.

VILLAGE OF MONTEBELLO, NEW YORK  
Management's Discussion and Analysis, Continued

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (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 Village's operations in more detail than the government-wide statements. The fund financial statements concentrate on the Village's most significant funds.
- The governmental fund statements tell how basic services were financed in the short term as well as what remains for future spending.
- Fiduciary fund statements provide information about the financial relationships in which the Village acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain the financial statements and provide more detailed data. The financial 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.

Figure A-1 summarizes the major features of the Village's financial statements, including the portion of the Village's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the financial statements.

VILLAGE OF MONTEBELLO, NEW YORK  
Management's Discussion and Analysis, Continued

Figure A-1

Major Features of the Government-Wide and Fund Financial Statements

		Fund Financial Statements	
	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire Government (except fiduciary funds)	The activities of the Village that are not proprietary or fiduciary, such as safety inspections, maintenance of roads	Instances in which the Village administrators resources on behalf of someone else, such as bid deposits, escrow deposits for planning and zoning
Basic financial statements	- Statement of net position - Statement of activities	- Balance sheet - Statement of revenue, expenditures and changes in fund balances	Statement of fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resource focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital asset or long- term liabilities included	All assets and liabilities, both short term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenue and expenses during year, regardless of when cash received or paid	Revenue for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

VILLAGE OF MONTEBELLO, NEW YORK  
Management's Discussion and Analysis, Continued

Government-Wide Statements

The government-wide 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 revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the Village's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Village's overall health, you need to consider additional non-financial factors such as changes in the Village's property tax base and the condition of facilities and infrastructures.

In the government-wide statements, the Village's activities are shown as governmental activities: Most of the Village's basic services are included here, such as road maintenance (transportation) and administration (general governmental support). Taxes and charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Village's funds, focusing on its most significant or "major" funds - not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law or by bond covenants.
- The Village establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debt) or to show that it is properly using certain revenues.

VILLAGE OF MONTEBELLO, NEW YORK  
Management's Discussion and Analysis, Continued

The Village has two kinds of funds:

- **Governmental Funds:** Most of the Village's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliations on pages 16 and 18 have been added to explain the relationship (or differences) between them.
- **Fiduciary Funds - Agency Funds:** The Village acts in an agency capacity for assets that are ultimately transferred to others, such as payroll withholdings. The Village excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

The Village's net position at fiscal year end was \$7,456,393. This is a decrease of \$105,384 from last year's net position of \$7,561,777. The following table (Figure A-2) provides a summary of the Village's net position for the years ended December 31 of their respective year:

Figure A-2

<u>Condensed Statement of Net Position</u>		
	<u>2018</u>	<u>2017</u>
Current assets	\$ 1,874,798	2,142,473
Noncurrent assets	<u>6,679,722</u>	<u>6,602,306</u>
Total assets	<u>8,554,520</u>	<u>8,744,779</u>
Total deferred outflows of resources	<u>125,013</u>	<u>110,916</u>
Current liabilities	557,000	226,077
Noncurrent liabilities	<u>526,866</u>	<u>752,776</u>
Total liabilities	<u>1,083,866</u>	<u>978,853</u>
Total deferred inflows of resources	<u>139,274</u>	<u>315,065</u>
Net investment in capital assets	5,873,896	5,692,306
Restricted	90,826	95,458
Unrestricted	<u>1,491,671</u>	<u>1,774,013</u>
Total net position	\$ <u>7,456,393</u>	<u>7,561,777</u>

VILLAGE OF MONTEBELLO, NEW YORK  
Management's Discussion and Analysis, Continued

The following table (Figure A-3) provides a summary of revenue and expenses and changes in net position for the years ended December 31 of their respective year end. Also included is a percentage of revenue source to total revenue and expense source to total expenses.

Figure A-3

	<u>2018</u>		<u>2017</u>	
Revenue:				
Program revenue - charges for services operating grants and contributions, and capital grants and contributions	\$ 592,446	26%	\$ 739,753	31%
General revenue:				
Real property taxes	1,226,291	52%	1,217,420	50%
Real property tax items	79,631	3%	70,611	3%
Non-property tax items	309,672	14%	308,073	13%
Use of money and property	65,489	3%	68,381	3%
Sale of property and compensation for loss	14,565	1%	14,240	1%
Miscellaneous local sources	<u>536</u>	1%	<u>20</u>	1%
Total revenue	<u>2,288,630</u>		<u>2,418,498</u>	
Expenses:				
General government support	746,210	31%	662,204	32%
Public safety	90,084	4%	79,180	4%
Transportation	512,516	22%	638,159	30%
Culture and recreation	123,158	5%	110,817	5%
Home and community services	887,994	37%	552,797	26%
Interest on debt	<u>34,052</u>	1%	<u>43,965</u>	2%
Total expenses	<u>2,394,014</u>		<u>2,087,122</u>	
Change in net position	<u>\$ (105,384)</u>		<u>\$ 331,376</u>	

VILLAGE OF MONTEBELLO, NEW YORK  
Management's Discussion and Analysis, Continued

Total costs of services provided by the Village (Figure A-4) were \$2,394,014. These charges were offset by charges for services, operating grants and contributions and capital grants and contributions of \$592,446, resulting in net cost of services of \$1,801,568.

Figure A-4

	<u>Total cost of services</u>		<u>Net revenue (expense) of services</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Functions:				
General government support	\$ 746,210	662,204	(540,924)	(455,400)
Public safety	90,084	79,180	113,499	368,594
Transportation	512,516	638,159	(333,571)	(564,730)
Culture and recreation	123,158	110,817	(118,526)	(107,199)
Home and community services	887,994	552,797	(887,994)	(544,669)
Interest on debt	<u>34,052</u>	<u>43,965</u>	<u>(34,052)</u>	<u>(43,965)</u>
Total	\$ <u>2,394,014</u>	<u>2,087,122</u>	<u>(1,801,568)</u>	<u>(1,347,369)</u>

Figure A-5 shows the changes in fund balances for the year for the Village's funds as presented in the Village's statement of revenue, expenditures and changes in fund balances - governmental funds. At December 31, 2018, the Village reported a combined fund balance of \$1,523,376. Total fund balances decreased by \$300,886 in 2018.

Figure A-5

	<u>Governmental Funds</u>		<u>Change</u>
	<u>2018</u>	<u>2017</u>	<u>2017-2018</u>
Governmental fund balances:			
General fund	\$ 1,523,376	1,784,819	(261,443)
Special grant fund	<u>-</u>	<u>39,443</u>	<u>(39,443)</u>
Total fund balances	\$ <u>1,523,376</u>	<u>1,824,262</u>	<u>(300,886)</u>

The capital projects fund did not have any fund balance at December 31, 2018 or 2017.

VILLAGE OF MONTEBELLO, NEW YORK  
Management's Discussion and Analysis, Continued

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Village reviews the general fund budget to see if any budget adjustments are needed. Modified budget estimates exceeded the actual revenue by \$186,009 and actual expenditures and other uses were less than the modified budgeted expenditures by \$175,227.

Figure A-6 summarizes the general fund original and modified budgets, actual expenditures and the variances for the year ended December 31, 2018.

	Original <u>Budget</u>	Modified <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Revenues:				
Real property taxes	\$ 1,232,378	1,226,291	1,226,291	-
Real property tax items	71,565	79,631	79,631	-
Non-property tax items	268,000	309,672	309,672	-
Departmental income	124,500	198,597	187,019	(11,578)
Use of money and property	68,300	63,974	65,489	1,515
Fines and forfeitures	33,000	55,998	55,998	-
Sale of property and compensation for loss	14,000	14,565	14,565	-
State aid	198,546	349,430	173,484	(175,946)
Miscellaneous local sources	-	536	536	-
Total revenues	<u>2,010,289</u>	<u>2,298,694</u>	<u>2,112,685</u>	<u>(186,009)</u>
Expenditures:				
General government support	619,582	580,835	585,977	(5,142)
Public safety	76,705	80,238	80,238	-
Transportation	596,850	609,627	352,282	257,345
Culture and recreation	70,400	80,746	74,111	6,635
Home and community services	532,677	833,392	875,046	(41,654)
Employee benefits	155,700	130,869	130,869	-
Debt service - principal	195,000	195,000	195,000	-
Debt service - interest	38,648	38,648	38,648	-
Total expenditures	<u>2,285,562</u>	<u>2,549,355</u>	<u>2,332,171</u>	<u>217,184</u>
Other uses - interfund transfers	-	-	69,822	(69,822)
Total expenditures and other uses	<u>2,285,562</u>	<u>2,549,355</u>	<u>2,401,993</u>	<u>147,362</u>
Changes in fund balances	<u>\$ (275,273)</u>	<u>(250,661)</u>	<u>(289,308)</u>	<u>(38,647)</u>

VILLAGE OF MONTEBELLO, NEW YORK  
Management's Discussion and Analysis, Continued

CAPITAL ASSETS

The Village records expenditures for land, buildings, equipment, machinery and infrastructure as capital assets in the statement of net position. Annual depreciation expense is recorded in the statement of activities to reflect the use of these assets over their useful lives. Land is not subject to depreciation.

For the useful life of assets, the Village relied upon materials provided by the New York State Government Finance Officers Association "Capital Assets of Local Governments Suggested Useful Lives." For highway improvements, at formation, the Village adopted 14.74 miles of roadway from the Town of Ramapo, New York, and utilized a then current replacement cost of \$250,000 per mile and calculated cost back to 1986 (year of Village formation) based upon "Price Trends for Federal Aid Highway Construction" as issued by the United States Department of Transportation Federal Highway Administration. Subsequent years' values were based upon actual expenditures.

In 2018, the Village expended \$257,345 on capital additions. Figure A-7 reflects the changes in net capital assets after reduction for 2018 depreciation expense of \$270,755.

Figure A-7

	Total value		<u>Change</u> <u>2017-2018</u>
	<u>Governmental Activities</u>		
	<u>2018</u>	<u>2017</u>	
Changes in capital assets, net:			
Land	\$ 1,177,208	1,177,208	-
Buildings and improvements	1,522,600	1,581,808	(59,208)
Infrastructure	3,141,513	3,040,283	101,230
Machinery and equipment	11,360	13,927	(2,567)
Vehicles	1,925	5,749	(3,824)
Miscellaneous	<u>734,290</u>	<u>783,331</u>	<u>(49,041)</u>
Total	\$ <u>6,588,896</u>	<u>6,602,306</u>	<u>(13,410)</u>

VILLAGE OF MONTEBELLO, NEW YORK  
Management's Discussion and Analysis, Continued

DEBT ADMINISTRATION

Bonds payable decreased by \$195,000. The Village's long term debt at the end of the year was \$715,000.

Detailed information regarding the Village's long-term liabilities is presented in note 5 in the notes to the financial statements.

CONTACT INFORMATION

The Village's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Village's finances and to demonstrate the Village's accountability. If you have any questions about the report or need additional financial information, contact the Village's Mayor, Village of Montebello, New York, One Montebello Road, Suffern, New York 10901.

VILLAGE OF MONTEBELLO, NEW YORK  
Statement of Net Position  
December 31, 2018

<u>Assets</u>	<u>Primary Government Governmental Activities</u>
Current assets:	
Cash and equivalents - unrestricted	\$ 1,538,567
Taxes receivable, net	10,142
Accounts receivable	304,396
Prepaid expenses	<u>21,693</u>
Total current assets	<u>1,874,798</u>
Noncurrent assets:	
Cash and equivalents - restricted	90,826
Capital assets - land	1,177,208
Capital assets - depreciable, net	<u>5,411,688</u>
Total noncurrent assets	<u>6,679,722</u>
Total assets	<u>8,554,520</u>
<u>Deferred Outflows of Resources</u>	
Pensions	<u>125,013</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	18,561
Accrued interest	7,292
Due to fiduciary fund	331,147
Serial bonds payable, current portion	<u>200,000</u>
Total current liabilities	<u>557,000</u>
Noncurrent liabilities:	
Serial bonds payable - excluding current portion	515,000
Net pension liability - proportionate share	<u>11,866</u>
Total noncurrent liabilities	<u>526,866</u>
Total liabilities	<u>1,083,866</u>
<u>Deferred Inflows of Resources</u>	
Prepaid real property taxes	92,540
Pensions	<u>46,734</u>
Total deferred inflows of resources	<u>139,274</u>
<u>Net Position</u>	
Net investment in capital assets	5,873,896
Restricted	90,826
Unrestricted	<u>1,491,671</u>
Total net position	<u>\$ 7,456,393</u>

See accompanying notes to financial statements.

VILLAGE OF MONTEBELLO, NEW YORK  
Statement of Activities  
Year ended December 31, 2018

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Position - Primary Governmental activities</u>
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	
Primary government:					
Governmental activities:					
General government support	\$ 746,210	31,802	173,484	-	(540,924)
Public safety	90,084	203,583	-	-	113,499
Transportation	512,516	3,000		175,945	(333,571)
Culture and recreation	123,158	4,632	-	-	(118,526)
Home and community services	887,994	-	-	-	(887,994)
Interest on debt	34,052	-	-	-	(34,052)
Total primary government	<u>\$ 2,394,014</u>	<u>243,017</u>	<u>173,484</u>	<u>175,945</u>	<u>(1,801,568)</u>
		<u>General revenue:</u>			
					1,305,922
					309,672
					65,489
					14,565
					536
					1,696,184
					(105,384)
					7,561,777
					\$ 7,456,393

See accompanying notes to financial statements.

VILLAGE OF MONTEBELLO, NEW YORK  
Balance Sheet - Governmental Funds  
December 31, 2018

	General Fund	Special Grant Fund	Capital Projects Fund	Total Governmental Funds
<u>Assets</u>				
Cash and equivalents - unrestricted	\$ 1,538,567	-	-	1,538,567
Cash and equivalents - restricted	90,826	-	-	90,826
Taxes receivable, net	10,142	-	-	10,142
Accounts receivable	180,833	-	123,563	304,396
Prepaid expenditures	<u>21,693</u>	<u>-</u>	<u>-</u>	<u>21,693</u>
 Total assets	 <u>\$ 1,842,061</u>	 <u>-</u>	 <u>123,563</u>	 <u>1,965,624</u>
 <u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>				
Liabilities:				
Accounts payable	18,561	-	-	18,561
Due to other funds	<u>207,584</u>	<u>-</u>	<u>123,563</u>	<u>331,147</u>
Total liabilities	<u>226,145</u>	<u>-</u>	<u>123,563</u>	<u>349,708</u>
Deferred inflows of resources - prepaid real property taxes	<u>92,540</u>	<u>-</u>	<u>-</u>	<u>92,540</u>
Fund balances:				
Nonspendable	21,693	-	-	21,693
Restricted	90,826	-	-	90,826
Assigned - appropriated	315,433	-	-	315,433
Unassigned	<u>1,095,424</u>	<u>-</u>	<u>-</u>	<u>1,095,424</u>
Total fund balances	<u>1,523,376</u>	<u>-</u>	<u>-</u>	<u>1,523,376</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,842,061</u>	<u>-</u>	<u>123,563</u>	<u>1,965,624</u>

See accompanying notes to financial statements.

VILLAGE OF MONTEBELLO, NEW YORK  
 Reconciliation of the Balance Sheet - Governmental Funds  
 to the Statement of Net Position  
 December 31, 2018

Total fund balances - governmental funds		\$ 1,523,376
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The assets consist of:		
Land	\$ 1,177,208	
Capital assets - depreciable, net	<u>5,411,688</u>	
Total capital assets		6,588,896
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Accrued interest		(7,292)
Net pension liability - proportionate share		(11,866)
Some deferred outflows and inflows of resources are not reported in the funds. These consist of the following:		
Deferred outflows of resources - pensions		125,013
Deferred inflows of resources - pensions		(46,734)
Bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental governmental funds		<u>(715,000)</u>
Total net position - governmental activities		<u>\$ 7,456,393</u>

See accompanying notes to financial statements.

VILLAGE OF MONTEBELLO, NEW YORK  
Statement of Revenue, Expenditures and Changes in Fund Balances -  
Governmental Funds  
Year ended December 31, 2018

	<u>General Fund</u>	<u>Special Grant Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenue and other sources:				
Revenue:				
Real property taxes	\$ 1,226,291	-	-	1,226,291
Real property tax items	79,631	-	-	79,631
Non-property tax items	309,672	-	-	309,672
Departmental income	187,019	-	-	187,019
Use of money and property	65,489	-	-	65,489
Fines and forfeitures	55,998	-	-	55,998
Sale of property and compensation for loss	14,565	-	-	14,565
State aid	173,484	-	175,945	349,429
Miscellaneous local sources	536	-	-	536
Total revenue	<u>2,112,685</u>	-	175,945	2,288,630
Other sources - operating transfers in	-	-	81,400	81,400
Total revenue and other sources	<u>2,112,685</u>	-	<u>257,345</u>	<u>2,370,030</u>
Expenditures and other uses:				
Expenditures:				
General government support	585,977	-	-	585,977
Public safety	80,238	-	-	80,238
Transportation	352,282	-	257,345	609,627
Culture and recreation	74,111	-	-	74,111
Home and community services	875,046	-	-	875,046
Employee benefits	130,869	-	-	130,869
Debt service - principal	195,000	-	-	195,000
Debt service - interest	38,648	-	-	38,648
Total expenditures	2,332,171	-	257,345	2,589,516
Other uses - operating transfers out	41,957	39,443	-	81,400
Total expenditures and other uses	<u>2,374,128</u>	<u>39,443</u>	<u>257,345</u>	<u>2,670,916</u>
Changes in fund balances	(261,443)	(39,443)	-	(300,886)
Fund balances at beginning of year	<u>1,784,819</u>	<u>39,443</u>	-	<u>1,824,262</u>
Fund balances at end of year	<u>\$ 1,523,376</u>	<u>-</u>	<u>-</u>	<u>1,523,376</u>

See accompanying notes to financial statements.

VILLAGE OF MONTEBELLO, NEW YORK  
 Reconciliation of the Statement of Revenue, Expenditures and Changes in  
 Fund Balances - Governmental Funds to the Statement of Activities  
 Year ended December 31, 2018

Net change in fund balances - governmental funds	\$ (300,886)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Capital outlay	\$ 257,345
Depreciation	<u>(270,755)</u>
Excess of depreciation expense over capital outlay	(13,410)
Accrued interest is reported in the statement of activities and does not require the use of current financial resources and therefore is not reported as an expenditure in the governmental funds.	4,596
Certain pension items are reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	9,316
Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net position.	<u>195,000</u>
Change in net position of governmental activities	<u>\$ (105,384)</u>

See accompanying notes to financial statements.

VILLAGE OF MONTEBELLO, NEW YORK  
Statement of Fiduciary Net Position  
December 31, 2018

	Agency <u>Fund</u>
Assets:	
Cash and equivalents	\$ 281,007
Due from other funds	<u>331,147</u>
Total assets	<u><u>\$ 612,154</u></u>
Liabilities - agency liabilities	<u><u>\$ 612,154</u></u>

See accompanying notes to financial statements.

# VILLAGE OF MONTEBELLO, NEW YORK

## Notes to Financial Statements

December 31, 2018

### (1) Summary of Significant Accounting Policies

The accompanying financial statements of the Village of Montebello, New York (the Village) have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

#### (a) Financial Reporting Entity

The Village was established in 1986, is governed by its charter, the Village law and other general municipal laws of the State of New York, and various local laws. The Village Board is the legislative body responsible for the overall operation, the Mayor serves as Chief Executive Officer and the Village Clerk Treasurer serves as Chief Fiscal Officer.

The Village provides the following basic services: highway maintenance, refuse collection, recycling, planning board, zoning board, general administration and other home and community services.

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

The financial reporting entity consists of the following, as defined by the GASB.

1. The primary government which is the Village;
2. Organizations for which the primary government is financially accountable; and
3. Other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the Village's general purpose financial statements to be misleading or incomplete.

Based on the application of the above criteria, no other entities are included in the reporting entity.

#### (b) Basis of Presentation

##### (1) Government-wide 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. Government activities generally 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, while the capital grants column reflects capital-specific grants.

## VILLAGE OF MONTEBELLO, NEW YORK

### Notes to Financial Statements, Continued

#### (1) Summary of Significant Accounting Policies, Continued

##### (b) Basis of Presentation, Continued

###### (1) Government-wide Statements, Continued

The statement of activities presents a comparison between direct expenses and program revenue 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. Program revenue includes charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, are presented as general revenue.

###### (2) Fund Financial Statements

The funds 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. All remaining governmental funds are aggregated and reported as nonmajor funds. The Village did not have any nonmajor funds in 2018.

The Village reports the following major governmental funds:

- General Fund: This is the Village's primary operating fund. It accounts for all financial transactions that are not required by law or other provision to be accounted for in other funds.
- Capital Projects Fund: Used to account for capital improvements financed from current monies transferred from other funds, federal and state grants and proceeds of obligations.
- Special Grant Fund: Used to account for revenue raised as received to provide special services.

The Village reports the following fiduciary fund:

- Agency Fund: Used to account for those funds held in custody and subsequent distributions, transmittal or release to other governments, individuals or to other funds.

##### (c) Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange 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.

## VILLAGE OF MONTEBELLO, NEW YORK

### Notes to Financial Statements, Continued

#### (1) Summary of Significant Accounting Policies, Continued

##### (c) Measurement Focus and Basis of Accounting, Continued

The governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Material revenue that is accrued includes real property taxes, state and federal aid, sales tax and certain user charges. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that 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.

##### (d) Property Taxes

Village real property taxes are levied annually on January 1, and become a lien on that date. Taxes are collected during the period January 1 to October 31. On November 1, unpaid Village taxes are then turned over to the County of Rockland (the County) for enforcement. Any such taxes remaining unpaid at year end are paid by the County.

During December of each year, the Village grants the option for residents to pay the Village for the subsequent year's tax levy. The funds are recorded as deferred inflows of resources to be recognized as an inflows of resources (revenue) in that subsequent year.

##### (e) Budgetary Data

(1) Budget Policies - The budget policies are as follows:

- a. In November, the budget officer submits a tentative budget to the Village Board for the fiscal year commencing the following January 1. The tentative budget included proposed expenditures and the proposed means of financing for all funds.
- b. After public hearings are conducted to obtain taxpayer comments, in November, the governing board adopts the budget.
- c. All modifications of the budget must be approved by the Village Board.

(2) Budget Basis of Accounting - The budget is adopted annually on a basis consistent with generally accepted accounting principles.

(3) Encumbrances - Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in all funds. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

## VILLAGE OF MONTEBELLO, NEW YORK

### Notes to Financial Statements, Continued

#### (1) Summary of Significant Accounting Policies, Continued

##### (e) Budgetary Data, Continued

(4) Expenditures in Excess of Budget - Certain individual budgetary expenditures exceeded their budgetary authorizations in the general fund.

##### (f) Cash and Investments

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

Collateral is required for demand deposits and certificates of deposit at 102 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

The written investment policy requires repurchase agreements to be purchased from banks located within the state and that underlying securities must be obligations of the federal government and New York State. Underlying securities must have market value of at least 102 percent of the cost of the repurchase agreement.

##### (g) Accounts Receivable

Accounts receivable 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. All receivables are expected to be collected within the subsequent year.

##### (h) Interfund Activity

Amounts due to and due from within the same fund type have been eliminated in the government-wide statements. A detailed description of the individual fund balances is provided subsequently in these notes.

##### (i) Interfund Transfers

The operations of the Village gives rise to certain transactions between funds, including transfers to provide services and construct assets. The amounts reported on the statement of revenue, expenditures and changes in fund balances - government funds for interfund transfers have been eliminated for the statement of activities. A detailed description of the individual fund transfers that occurred during the year is provided subsequently in these notes.

##### (j) Inventories and Prepaid Items

Purchases of inventoriable items are recorded as expenditures in the government funds at the time of purchase. Inventory-type items are considered immaterial and, consequently, are not provided in the government-wide statements.

Prepaid items represent payments made by the Village for which benefits extend beyond year-end.

VILLAGE OF MONTEBELLO, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(k) Capital Assets

Capital assets are reported at historical costs. The Village depreciates capital assets using the straight-line method over the estimated useful life of the assets. Capitalization thresholds (the dollar value above which capital asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 5,000	40 years
Machinery and equipment	5,000	5 - 15 years
Vehicles	5,000	5 - 20 years
Miscellaneous	5,000	5 - 20 years
Infrastructure	5,000	30 - 40 years

(l) Deferred Outflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The deferred outflows of resources reported in the statement of net position relates to pensions and consists of the Village's proportionate share of changes in the collective net pension liability not included in the collective pension expense and Village contributions to the pension system subsequent to the measurement date.

(m) Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources reported in the statement of net position includes real property taxes of the Village collected in December belonging to the following year's levy. Also included in this item is the effect of the net change in the Village's proportionate share of the collective net pension liability and difference during the measurement periods between the Village's contributions and its proportionate share of total contributions to the pension systems not included in the pension expense.

(n) Vested Employee Benefits

Employees accrue (earn) vacation leave based on the number of years employed up to a maximum of four weeks a year. After ten years of continuous employment, one week of the maximum of four weeks may be rolled into the following year upon the advanced permission of the Mayor.

Full-time employees are entitled to eight paid sick days per year accumulative to a maximum of fifteen days for extended illness.

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

VILLAGE OF MONTEBELLO, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(o) Unemployment Insurance

Village employees are covered by unemployment insurance. The Village is exempt for federal unemployment insurance tax.

(p) Risk Retention

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

(q) Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, it is the Village's policy to apply restricted funds before unrestricted position, unless otherwise prohibited by legal requirements.

(r) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

(s) Equity Classification - Government-wide Statements

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

(1) Net Investment in Capital Assets - Consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

(2) Restricted - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

(3) Unrestricted - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

(t) Fund Balance Classification - Fund Statements

There are five classifications in the fund balance statements.

(1) Nonspendable fund balance - Includes amount that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

(2) Restricted fund balance - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

VILLAGE OF MONTEBELLO, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(t) Fund Balance Classification - Fund Statements, Continued

- (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 board. The Village has no committed fund balances as of December 31, 2018.
- (4) Assigned fund balance - Includes amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed.
- (5) Unassigned fund balance - Includes all other general fund balance that do not meet the definition of the above four classifications and are deemed to be available for general use by the Village.

Order of Use of Fund Balance - The Village's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as assigned fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

(u) Subsequent Events

The Village has evaluated subsequent events through the date of the report 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.

(2) Cash

The Village's investment policies are governed by State statutes as previously described in these notes. Deposits are valued at cost, or cost plus interest, and are categorized as either:

- (a) Insured by FDIC or collateralized with securities held by the Village or by its agent in the Village's name;
- (b) Collateralized with securities held by the pledging financial institution's trust department or agency in the Village's name; or
- (c) Uncollateralized.

Total financial institution (bank) balances at December 31, 2018, per the bank, are categorized as follows:

	<u>A</u>	<u>B</u>	<u>C</u>
Governmental/agency funds	\$ <u>500,000</u>	<u>1,447,657</u>	<u>-</u>

VILLAGE OF MONTEBELLO, NEW YORK

Notes to Financial Statements, Continued

(3) Interfund Activity

Interfund receivables and payables at December 31, 2018 were as follows:

<u>Fund</u>	<u>Interfund receivables</u>	<u>Interfund payables</u>
General	\$ -	207,584
Capital projects	-	123,563
Agency	<u>331,147</u>	-
Total	\$ <u>331,147</u>	<u>331,147</u>

Inferfund transfers for the year ended December 31, 2018 were as follows:

<u>Fund</u>	<u>Transfers out</u>	<u>Transfers in</u>
General	\$ 41,957	-
Special grant	39,443	-
Capital projects	-	<u>81,400</u>
Total	\$ <u>81,400</u>	<u>81,400</u>

(4) Capital Assets

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

	<u>Beginning balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending balance</u>
<u>Governmental Activities</u>				
Capital assets that are not depreciated:				
Land	<u>\$ 1,177,208</u>	-	-	<u>1,177,208</u>
Total non-depreciable historical cost	<u>1,177,208</u>	-	-	<u>1,177,208</u>
Capital assets that are being depreciated:				
Buildings and improvements	2,368,355	-	-	2,368,355
Infrastructure	6,397,343	257,345	-	6,654,688
Machinery and equipment	199,766	-	167,119	32,647
Vehicles	50,996	-	10,658	40,338
Miscellaneous	<u>995,323</u>	-	-	<u>995,323</u>
Total depreciable historical assets	<u>10,011,783</u>	<u>257,345</u>	<u>177,777</u>	<u>10,091,351</u>
Less accumulated depreciation:				
Buildings and improvements	786,547	59,208	-	845,755
Infrastructure	3,357,060	156,115	-	3,513,175
Machinery and equipment	185,839	2,567	167,119	21,287
Vehicles	45,247	3,824	10,658	38,413
Miscellaneous	<u>211,992</u>	<u>49,041</u>	-	<u>261,033</u>
Total accumulated depreciation	<u>4,586,685</u>	<u>270,755</u>	<u>177,777</u>	<u>4,679,663</u>
Total historical cost, net	<u>\$ 6,602,306</u>	<u>(13,410)</u>	-	<u>6,588,896</u>

VILLAGE OF MONTEBELLO, NEW YORK  
Notes to Financial Statements, Continued

(4) Capital Assets, Continued

Depreciation was charged to governmental functions as follows:

General government support	\$ 61,775
Transportation	159,939
Culture and recreation	<u>49,041</u>
Total depreciation expense	\$ <u>270,755</u>

(5) Long-Term Liabilities

(a) Pension Plans

Plan Description

The Village participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. 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 net 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 provision 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 regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Funding Policy

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 and before April 1, 2012 who generally contribute 3 percent of their salary for their entire length of service. Those joining on or after April 1, 2012 are required to contribute between 3 and 6 percent, dependent on salary, throughout their working careers. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems fiscal year ending March 31.

VILLAGE OF MONTEBELLO, NEW YORK

Notes to Financial Statements, Continued

(5) Long-Term Liabilities, Continued

(a) Pension Plans, Continued

Funding Policy, Continued

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

	<u>ERS</u>
2018	\$ 52,835
2017	43,954
2016	49,653

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, the Village reported the following liability for its proportionate share of the net pension liability for ERS. 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 ERS System in a report provided to the Village.

Actuarial valuation date	4/01/2017
Measurement date	3/31/2018
Net pension liability	\$ 11,866
Village's proportion of the Plan's net pension liability	0.0003677%

For the year ended December 31, 2018, the Village recognized pension expense of \$35,627 for ERS in the statement of activities. At December 31, 2018, the Village's proportionate share was 0.0003677% which was a percentage decrease of 0.0000343 from its proportionate share at December 31, 2017.

At December 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	\$ 4,232	3,497
Changes of assumptions	7,868	-
Net difference between projected and actual investment earnings on pension plan investments	17,234	34,018
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	62,104	9,219
Village's contributions subsequent to the measurement date	<u>33,575</u>	<u>-</u>
Total	\$ <u>125,013</u>	<u>46,734</u>

VILLAGE OF MONTEBELLO, NEW YORK  
Notes to Financial Statements, Continued

(5) Long-Term Liabilities, Continued

(a) Pension Plans, Continued

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

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

<u>Year ending</u>	
2019	\$ 23,823
2020	18,085
2021	1,204
2022	1,592
2023	-
Thereafter	-

Actuarial Assumptions

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

Inflation	2.5%
Salary scale	3.8%
Investment rate of return, (net of investment expense, including inflation)	7.0%
Cost-of-living adjustments	1.3%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's with adjustments for morality 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 expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target assets allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

VILLAGE OF MONTEBELLO, NEW YORK  
Notes to Financial Statements, Continued

(5) Long-Term Liabilities, Continued

(a) Pension Plans, Continued  
Actuarial Assumptions, Continued

	<u>Long-term expected real rate of return*</u>	<u>Target allocation</u>
Asset type:		
Domestic equity	4.55%	36.00%
International equity	6.35%	14.00%
Private equity	7.50%	10.00%
Real estate	5.55%	10.00%
Absolute return strategies	3.75%	2.00%
Opportunistic portfolio	5.68%	3.00%
Real assets	5.29%	3.00%
Bonds and mortgages	1.31%	17.00%
Cash	(0.25%)	1.00%
Inflation - indexed bonds	1.50%	4.00%

\* The real rate of return is net of the long-term inflation assumption of 2.50%.

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 determined. Based upon those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Village's proportionate share of the net pension 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:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension asset (liability)	\$ (89,780)	(11,866)	54,046

VILLAGE OF MONTEBELLO, NEW YORK

Notes to Financial Statements, Continued

(5) Long-Term Liabilities, Continued

(a) Pension Plans, Continued

Pension Plan Fiduciary Net Position

The components of the collective net pension liability of participating employers as of the March 31, 2018 measurement date, were as follows:

(Dollars in Millions)

Employers' total pension liability	\$(183,400)
Plan fiduciary net position	<u>180,173</u>
Employers' net pension liability	\$ <u>(3,227)</u>
Ratio of fiduciary net position to the Employers' total pension liability	98.24%

(b) Bonds Payable

The Village borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers.

At December 31, 2018 the total principal indebtedness outstanding the Village aggregated \$715,000.

The following is a summary of the Village's outstanding serial bonds for the year ending December 31, 2018:

<u>Description</u>	<u>Original Date of Issue</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Date of Final Maturity</u>	<u>Outstanding 12/31/18</u>
Various purposes	09/01/07	\$ 1,860,000	4.00% - 4.30%	09/01/22	590,000
Road reconstruction	10/15/05	725,000	4.00% - 4.35%	10/15/20	<u>125,000</u>
Total					\$ <u>715,000</u>

Interest on long-term debt paid during the year was:

Interest paid (interest expenditure - general fund)	\$ 38,648
Less: interest accrued - prior year	(11,888)
Plus: interest accrued - current year	<u>7,292</u>
Interest expense (government-wide)	\$ <u>34,052</u>

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Serial bonds	\$ <u>910,000</u>	<u>-</u>	<u>195,000</u>	<u>715,000</u>	<u>200,000</u>

VILLAGE OF MONTEBELLO, NEW YORK  
Notes to Financial Statements, Continued

(5) Long-Term Liabilities, Continued

(b) Bonds Payable, Continued

The following is a summary of the maturity of long-term indebtedness:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 200,000	30,563
2020	215,000	22,103
2021	150,000	12,900
2022	<u>150,000</u>	<u>6,450</u>
Total serial bonds	\$ <u>715,000</u>	<u>72,015</u>

(6) Other Postemployment Benefits

The Village provides postemployment health insurance coverage to eligible retired employees in accordance with the Village’s personnel policy. The benefit levels, employee contributions and employer contributions are governed by the Village’s Board of Trustees.

An employee is determined to be eligible to receive other postemployment benefits (OPEB) based on specific criteria. The employee must have a minimum of 8 years of service for the Village and be between the ages of 62-65 at the time of retirement.

Management has determined that the current workforce will not be eligible to receive OPEB and that no retirees met the eligibility criteria. Based on this determination, the net OPEB obligation as of December 31, 2018 is \$0 and the Village was not required to make contributions for the year then ended. Management will evaluate all future employees to determine if they meet the eligibility requirements to receive OPEB. If it is determined that a future employee is eligible, management will follow provisions of GASB Statement No. 75 - “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.”

(7) Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; injuries to employees; errors and omissions; natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

## VILLAGE OF MONTEBELLO, NEW YORK

### Notes to Financial Statements, Continued

#### (8) Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 83 - "Certain Asset Retirement Obligations." This Statement, issued in November 2016, addresses accounting and financial reporting for certain asset retirement obligations (AROs). Governments that have legal obligations to perform certain future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, which is the fiscal year beginning January 1, 2019 for the Village. This Statement is not expected to have a material effect on the financial statements of the Village.

GASB Statement No. 84 - "Fiduciary Activities." This Statement, issued in January 2017, established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement is effective for reporting periods beginning after December 15, 2018, which is the fiscal year beginning January 1, 2019 for the Village. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Village.

GASB Statement No. 87 - "Leases." This Statement, issued in June 2017, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019, which is the fiscal year beginning January 1, 2020 for the Village. Management is in process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Village.

The GASB has issued GASB Statement No. 88 - "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." This Statement, issued in April of 2018, requires that additional essential information related to debt be disclosed in notes to financial statements. This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The provisions of this Statement are effective for reporting periods beginning after June 15, 2018, which is the fiscal year beginning January 1, 2019 for the Village. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Village.

## VILLAGE OF MONTEBELLO, NEW YORK

### Notes to Financial Statements, Continued

#### (8) Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 89 - "Accounting for Interest Cost Incurred before the End of a Construction Period." This Statement, issued in June 2018, establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" which are superseded by this Statement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, which is the fiscal year beginning January 1, 2020 for the Village. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Village.

GASB Statement No. 90 - "Majority Equity interests - an amendment of GASB Statement No. 14 and No. 61." This Statement, issued in August 2018, seeks to improve the consistency and comparability of reporting a government's majority equity interest information for certain component units. It defines a majority equity interest and sets parameters as to whether a majority equity interest is to be reported as an investment or component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, which is the fiscal year beginning January 1, 2019 for the Village. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Village.

GASB statement No. 91 - "Conduit Debt Obligations." This Statement, issued in May of 2019, requires a single method be used for the reporting of conduit debt obligations. The focus of the Statement is to improve financial reporting by eliminating diversity in practice associated with (1) commitments extended by issuers, (2) arrangements is associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, which is the fiscal year beginning January 1, 2021 for the Village. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Village.

#### (9) Commitments

##### (a) Tax Abatements

As of December 31, 2018 the Village abatement programs include abatements on property taxes. All abatement agreements are made by the County of Rockland Industrial Development Agency (the Agency).

VILLAGE OF MONTEBELLO, NEW YORK  
Notes to Financial Statements, Continued

(9) Commitments, Continued

(a) Tax Abatements, Continued

All property tax abatements are performed through Payment in Lieu of Tax (PILOT) agreements made by the Agency. The PILOT agreements are made to support hotels and retail operations. Total taxes abated by the Agency for the year ended December 31, 2018 were \$10,685. Taxes abated by category for the year ended is as follows:

Hotels	\$ 1,741
Retail	<u>8,944</u>
Total	\$ <u>10,685</u>

(b) Litigation

The Village and or its agencies are named in various lawsuits, none of which are for substantial amounts. These claims are either covered by insurance or, in the opinion of Village officials, will not result in material judgments against the Village or will not be pursued, and, therefore, are not expected to have a material effect on the financial statements.

(c) Grants

The Village has received grants, which are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowances and a request for a return of funds to the Federal and State governments. Based on past audits, the Village believes disallowances, if any, will be immaterial.

VILLAGE OF MONTEBELLO, NEW YORK  
Required Supplementary Information  
Schedule of Revenue and Expenditures - Budget to Actual -  
General Fund  
Year ended December 31, 2018

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Adopted</u>	<u>Modified</u>		with Modified Budget Positive (Negative)
<b>Revenue:</b>				
Real property taxes	\$ 1,232,378	1,226,291	1,226,291	-
Real property tax items	71,565	79,631	79,631	-
Non-property tax items	268,000	309,672	309,672	-
Departmental income	124,550	198,597	187,019	(11,578)
Use of money and property	68,300	63,974	65,489	1,515
Fines and forfeitures	33,000	55,998	55,998	-
Sale of property and compensation for loss	14,000	14,565	14,565	-
State aid	198,546	349,430	173,484	(175,946)
Miscellaneous local sources	-	536	536	-
Total revenue	<u>2,010,339</u>	<u>2,298,694</u>	<u>2,112,685</u>	<u>(186,009)</u>
<b>Expenditures and other uses:</b>				
<b>Expenditures:</b>				
General government support	619,582	580,835	585,977	(5,142)
Public safety	76,705	80,238	80,238	-
Transportation	596,850	609,627	352,282	257,345
Culture and recreation	70,400	80,746	74,111	6,635
Home and community services	532,677	833,392	875,046	(41,654)
Employee benefits	155,700	130,869	130,869	-
Debt service - principal	195,000	195,000	195,000	-
Debt service - interest	38,648	38,648	38,648	-
Total expenditures	<u>2,285,562</u>	<u>2,549,355</u>	<u>2,332,171</u>	<u>217,184</u>
Other uses - operating transfers out	-	-	41,957	(41,957)
Total expenditures and other uses	<u>2,285,562</u>	<u>2,549,355</u>	<u>2,374,128</u>	<u>175,227</u>
Changes in fund balances	<u>\$ (275,223)</u>	<u>(250,661)</u>	<u>(261,443)</u>	<u>(10,782)</u>

VILLAGE OF MONTEBELLO, NEW YORK  
 Required Supplementary Information  
 Schedule of Village's Proportionate Share of the Net Pension Liability  
 Year ended December 31, 2018

<u>ERS</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
The Village's proportion of the net pension liability	0.0003677%	0.0004020%	0.0007096%	0.0007278%
The Village's proportionate share of the net pension liability	\$ 11,866	37,776	113,900	24,587
The Village's covered payroll	\$ 267,297	245,722	287,019	311,201
The Village's proportionate share of the net pension liability as a percentage of covered payroll	4.44%	15.37%	39.68%	7.91%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.70%	97.90%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Village is presenting information for those years for which information is available.

VILLAGE OF MONTEBELLO, NEW YORK  
 Required Supplementary Information  
 Schedule of Village's Pension Contributions  
 Year ended December 31, 2018

<u>ERS System</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 52,835	43,954	49,653	62,510	61,102	71,846	54,716
Contribution in relation to the contractually required contribution	<u>52,835</u>	<u>43,954</u>	<u>49,653</u>	<u>62,510</u>	<u>61,102</u>	<u>71,846</u>	<u>54,716</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Village's covered payroll	\$ 267,297	245,722	287,019	311,201	312,382	333,702	262,175
Contribution as a percentage of covered payroll	19.77%	17.89%	17.30%	20.09%	19.56%	21.53%	20.87%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Village is presenting information for those years for which information is available.

**INDEPENDENT AUDITORS' 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**

The Mayor and Members of the Village Board  
Village of Montebello, New York  
Montebello, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Montebello, New York (the Village) as of and for the year ended December 31, 2018, and the related notes to financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated September 20, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village'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 Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### Purpose of the 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 Village'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 Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York  
September 20, 2019