VILLAGE OF PORT CHESTER, NEW YORK

Basic Financial Statements, Required Supplementary Information and Supplementary Information for the Year Ended May 31, 2017 and Independent Auditors' Reports

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Village Trustees
Village of Port Chester, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Port Chester, New York (the "Village"), as of and for the year ended May 31, 2017, 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

The Village's 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village, as of May 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, 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 assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2017 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

Drescher & Malecki LLP

November 15, 2017

As management of the Village of Port Chester, New York (the "Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended May 31, 2017. This document should be read in conjunction with additional information that we have furnished in the Village's financial statements, which follow this narrative.

Financial Highlights

- The liabilities and deferred inflows of resources of the Village's primary government exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by $8,340,318 (*net position*). This consists of $15,922,124 net investment in capital assets and $5,982,962 restricted for specific purposes, offset by an unrestricted net position of $(30,245,404).
- The Village's primary government net position decreased by $2,896,696 during the year ended May 31, 2017.
- At the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of $12,475,316, an increase of $8,854,974 in comparison with the prior year's fund balance of $3,620,342.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was $4,520,735, or approximately 11.5 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the Village's discretion and constitutes approximately 63.9 percent of the General Fund's total fund balance of $7,075,670 at May 31, 2017.
- The Village's serial bonds increased by $9,640,370 during the year as a result of the issuance of serial bonds of $12,515,370 offset by scheduled principal payments of $2,875,000.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the Village's assets, liabilities, and deferred outflows/inflows of resources with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the Village's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include general government support, public safety, health, transportation, economic assistance and opportunity, culture and recreation, home and community services, and interest and fiscal charges. The Village does not engage in any business-type activities.

The government-wide financial statements include not only the Village itself (known as the *primary government*), but also the Port Chester Industrial Development Agency for which the Village is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-14 of this report.

Fund financial statements—A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds and fiduciary funds.

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, governmental fund 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 funds' balance sheet and the governmental funds' 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 five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Capital Projects Fund, which are considered to be major funds. Data from the other three nonmajor funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Supplementary Information section of this report.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

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

Village is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The Village maintains one fiduciary fund, the Agency Fund.

The fiduciary fund financial statement can be found on page 19 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-45 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Village's progress in funding its obligation to provide post-employment benefits to its employees, the Village's net pension liability, and the Village's budgetary comparison for the General Fund. Required supplementary information and a related note to the required supplementary information can be found on pages 46-52 of this report.

The combining statements referred to earlier in connection with the nonmajor governmental funds are presented as other supplementary information immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 53-54.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Village, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $8,340,318 at the close of the most recent fiscal year, as compared $5,443,662 at the close of the fiscal year ended May 31, 2016.

Table 1, shown below, presents a condensed statement of net position compared to the prior year.

Table 1—Condensed Statements of Net Position—Primary Government

	Governmental Activities May 31, 2017	Governmental Activities May 31, 2016
Current assets	$ 21,588,542	$ 18,566,004
Capital assets	51,370,980	48,974,365
Total assets	72,959,522	67,540,369
Deferred outflows of resources	6,236,251	11,488,894
Current liabilities	9,412,198	15,327,954
Noncurrent liabilities	76,597,655	67,450,195
Total liabilities	86,009,853	82,778,149
Deferred inflows of resources	1,526,238	1,694,736
Net position:		
Net investment in capital assets	15,922,124	15,204,383
Restricted	5,982,962	1,868,172
Unrestricted	(30,245,404)	(22,516,177)
Total net position	$ (8,340,318)	$ (5,443,622)

The largest positive portion of the Village's net position, $15,922,124, reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, and infrastructure), less any related outstanding debt used to acquire those assets. The Village uses these capital assets to provide a variety of services to citizens. Accordingly, these assets are not available for future spending. Although the Village's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Village's net position, $5,982,962, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The remaining balance of net position, $(30,245,404), is considered to be an unrestricted deficit.

Table 2, as presented below, shows the changes in net position for the years ended May 31, 2017 and May 31, 2016.

Table 2—Condensed Statements of Changes in Net Position—Primary Government

	Governmental Activities	
	Year Ended May 31,	
	2017	2016
Program revenues:		
Charges for services	$ 8,742,523	$ 8,728,561
Operating grants and contributions	210,256	233,242
Capital grants and contributions	1,123,450	314,823
General revenues	30,498,515	30,405,520
Total revenues	40,574,744	39,682,146
Program expenses	43,471,440	42,171,295
Change in net position	(2,896,696)	(2,489,149)
Net position—beginning	(5,443,622)	(2,954,473)
Net position—ending	$ (8,340,318)	$ (5,443,622)

Overall revenues of the primary government increased 2.2 percent from the prior year, due primarily to increases in capital grants and contributions related to marina and sewer improvement projects. Total expenses increased by 3.1 percent from the year ended May 31, 2017, primarily due to increases in general government support, transportation, and home and community services expenses offset by a decrease in public safety expenses.

A summary of primary government sources of revenues for the years ended May 31, 2017 and May 31, 2016 is presented on the following page in Table 3.

Table 3—Summary of Sources of Revenues—Primary Government

	Year Ended May 31,		Increase/(Decrease)	
	2017	2016	Dollars	Percent (%)
Charges for services	$ 8,742,523	$ 8,728,561	$ 13,962	0.2
Operating grants and contributions	210,256	233,242	(22,986)	(9.9)
Capital grants and contributions	1,123,450	314,823	808,627	256.9
Taxes	29,209,656	29,123,270	86,386	0.3
Use of money and property	10,979	9,639	1,340	13.9
Miscellaneous	551,081	569,508	(18,427)	(3.2)
State sources—unrestricted	726,799	703,103	23,696	3.4
Total revenues	$ 40,574,744	$ 39,682,146	$ 892,598	2.2

The most significant sources of revenues for the primary government for the year ended May 31, 2017 were taxes of $29,209,656, or 72.0 percent of total revenues, and charges for services of $8,742,523, or 21.6 percent of total revenues. Similarly, for the year ended May 31, 2016, the most significant sources of revenues for the primary government were taxes of $29,123,240, or 73.4 percent of total revenues, and charges for services of $8,728,561, or 22.0 percent of total revenues.

A summary of primary government program expenses for the years ended May 31, 2017 and May 31, 2016 is presented below in Table 4.

Table 4—Summary of Program Expenses—Primary Government

	Year Ended May 31,		Increase/(Decrease)	
	2017	2016	Dollars	Percent (%)
General government support	$ 9,684,084	$ 8,394,893	$ 1,289,191	15.4
Public safety	20,663,932	21,453,300	(789,368)	(3.7)
Health	276,539	261,723	14,816	5.7
Transportation	3,628,251	3,233,639	394,612	12.2
Economic assistance and opportunity	653,676	589,185	64,491	10.9
Culture and recreation	3,083,754	2,837,329	246,425	8.7
Home and community services	4,515,720	4,221,884	293,836	7.0
Interest and other fiscal charges	965,483	1,179,342	(213,859)	(18.1)
Total program expenses	$ 43,471,440	$ 42,171,295	$ 1,300,145	3.1

The most significant expense items for the primary government for the year ended May 31, 2017 were public safety of $20,663,932, or 47.5 percent of total expenses, general government support of $9,684,084, or 22.3 percent of total expenses, and home and community services of $4,515,720, or 10.4 percent of total expenses. Similarly, for the year ended May 31, 2016, the most significant expense items for the primary government were public safety of $21,453,300, or 50.9 percent of total expenses, general government support of $8,394,893, or 19.9 percent of total expenses, and home and community services of $4,221,884, or 10.0 percent of total expenses.

During the year ended May 31, 2017, general government support, transportation, and home and community services expenses increased $1,289,191, $394,612, and $293,836, respectively, while public safety decreased $789,368. The increase in general government support is primarily due to increased costs related to legal expenses from labor negotiations, while the increase in transportation is mainly attributable to a retirement payout, and the increase in home and community services is primarily due to personal services within the planning and sanitation departments. The decrease in public safety is primarily attributable to the elimination of paid firefighter positions within the fire protection department.

Financial Analysis of Governmental Funds

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

Governmental funds—The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, *unassigned fund balance* and *fund balance assigned to specific use* in special revenue funds may serve as a useful measure of a government's net resources available for discretionary use, as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Village itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Board of Trustees.

At May 31, 2017, the Village's governmental funds reported combined ending fund balances of $12,475,316, an increase of $8,854,974 in comparison with the prior year. Approximately 36.2 percent, or $4,520,735, of this fund balance constitutes *unassigned fund balance*, which is available for spending at the Village's discretion. The remainder of fund balance is either *nonspendable, restricted*, *committed*, or *assigned* to indicate that it is: (1) not in spendable form $473,969, (2) restricted for particular purposes $5,982,962, (3) committed to particular purposes $345,899, or (4) assigned for particular purposes $1,151,751.

The General Fund is the chief operating fund of the Village. At May 31, 2017, the unassigned fund balance of the General Fund was $4,520,735, while total fund balance decreased to $7,075,670. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total General Fund expenditures and transfers out. Unassigned fund balance represents approximately 11.5 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 17.9 percent of that same amount.

The total fund balance of the Village's General Fund decreased by $574,065 during the current fiscal year. During the annual budget process, the Village originally anticipated utilizing $170,917 of fund balance (this included funds appropriated from reserves, $100,000; and the re-appropriation of prior year's encumbrances, $70,917). As a result of budget amendments made during the year, the Village's fund balance ended $403,148 lower than anticipated.

The Village's Capital Projects Fund ending fund balance was $2,953,603 at May 31, 2017. This entire amount is restricted for capital projects. During the year ended May 31, 2017, the Capital Projects Fund fund balance increased $8,477,444, primarily due to proceeds from serial bonds issued.

The Village's Sewer Fund ending fund balance was $1,151,751 at May 31, 2017. This entire amount is assigned for specific Sewer Fund use. Fund balance within the Sewer Fund increased by $358,099 during the year ended May 31, 2017 due to a reduction in interfund transfers made to the General Fund during the current year compared to the year ended May 31, 2016.

The Village's Debt Service Fund ending fund balance was $1,222,416 at May 31, 2017. This entire amount is restricted for debt service. Fund balance within the Debt Service Fund increased by $600,996 during the year ended May 31, 2017 mainly due to premiums on serial bonds issued during the current fiscal year.

The Village's Special Purpose Fund ending fund balance decreased to $71,876 during the year ended May 31, 2017. This entire amount is restricted for Special Purpose Fund use.

General Fund Budgetary Highlights

The Village's General Fund budget generally contains budget amendments during the year. The budget is allowed to be amended upward (increased) for prior year's encumbrances since the funds were allocated under the previous year's budget, and the Village has appropriately assigned an equal amount of fund balance at year-end for this purpose. Furthermore, the budget allowed to be amended upward (increased) for additional current year appropriations supported by an increase in budgeted revenues or appropriated fund balance. A budgetary comparison schedule within the required supplementary information section of this report has been provided to demonstrate compliance with their budget.

A summary of the General Fund results of operations for the year ended May 31, 2017 is presented below in Table 5.

Table 5—General Fund Budget

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues and other financing sources	$ 38,596,469	$ 38,708,350	$ 38,844,982	$ 136,632
Expenditures and other financing uses	38,767,386	39,453,336	39,419,047	34,289
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	$ (170,917)	$ (744,986)	$ (574,065)	$ 170,921

Original budget compared to final budget—At the close of the fiscal year, overall budgeted appropriations increased by $685,950. The increase was primarily attributable to supplemental appropriations within employee benefits, public safety, and transportation classifications and funded primarily through the use of additional fund balance.

Final budget compared to actual results—A review of actual revenues and expenditures compared to the estimated revenues and appropriations in the final budget yields an overall favorable variance. General Fund total revenues and transfers in were $136,632 more than corresponding final budgeted revenues. General Fund total expenditures and transfers out were $34,289 less than corresponding final budgeted appropriations.

Capital Asset and Debt Administration

Capital assets—The Village's investment in capital assets for its governmental activities as of May 31, 2017, amounted to $51,370,980 (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, infrastructure, machinery and equipment, and intangible assets.

All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the Village's capital asset policy. Similarly, intangible assets are amortized on the basis within the Village's policy.

Capital assets, net of depreciation and amortization for the governmental activities at the years ended May 31, 2017 and May 31, 2016 are presented below in Table 6.

Table 6—Summary of Capital Assets (Net of Accumulated Depreciation/Amortization)

	May 31,	
	2017	2016
Land	$ 1,046,883	$ 904,938
Construction in progress	12,883,129	11,823,707
Land improvements	3,033,018	3,339,920
Buildings and improvements	13,302,156	13,884,233
Infrastructure	16,438,433	14,990,429
Machinery and equipment	4,432,917	3,762,839
Intangible assets	234,444	268,299
Total	$ 51,370,980	$ 48,974,365

Additional information on the Village's capital assets can be found in Note 4 to the financial statements.

Long-term debt—At May 31, 2017, the Village had bonded debt outstanding of $37,210,370, as compared to $27,570,000 in the prior year. During the year ended May 31, 2017, the Village issued $12,515,370 of serial bonds and made scheduled principal payments of $2,875,000.

A summary of the Village's long-term liabilities at May 31, 2017 and May 31, 2016 is presented below in Table 7.

Table 7—Summary of Long-Term Liabilities

	May 31,	
	2017	2016
Serial bonds	$ 37,210,370	$ 27,570,000
Premiums on serial bonds	1,634,972	912,429
Compensated absences	4,930,963	4,719,759
OPEB obligation	23,750,767	21,648,960
Net pension liability	7,513,481	11,124,037
Judgments and claims	1,557,102	1,475,010
Total	$ 76,597,655	$ 67,450,195

Additional information on the Village's long-term liabilities can be found in Note 10 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate, not seasonally adjusted, for the Village of Port Chester, New York at May 31, 2017 was 3.0 percent. This compares favorably to New York State's average unemployment rate of 4.9 percent and the national unemployment rate of 4.7 percent.

During the current fiscal year, the Village appropriated $100,000 of reserves for spending in the Village's 2017-2018 fiscal year budget. The 2017-2018 adopted budget included total appropriations of $42,026,752, an increase of approximately 8.6 percent as compared to total appropriations of $38,696,469 included within the 2016-2017 adopted budget. The Village's total tax levy budgeted for 2017-2018 is $24,091,339, which is an increase of approximately 4.8 percent as compared to $22,993,840 levied during the 2016-2017 year.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Treasurer's Office, Village of Port Chester, 222 Grace Church Street, Port Chester, New York 10573.

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BASIC FINANCIAL STATEMENTS

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VILLAGE OF PORT CHESTER, NEW YORK
Statement of Net Position
May 31, 2017

	Primary Government	Component Unit
	Governmental Activities	Industrial Development Agency
ASSETS		
Cash and cash equivalents	$ 4,409,340	$ 272,057
Restricted cash and cash equivalents	13,021,486	-
Receivables	1,834,316	5,478
Intergovernmental receivables	1,844,465	-
Due from Agency Fund	4,966	-
Prepaid items	473,969	1,809
Capital assets, not being depreciated	13,930,012	-
Capital assets, net of accumulated depreciation/amortization	37,440,968	-
Total assets	72,959,522	279,344
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows—relating to pensions	5,861,460	-
Deferred charge on refunding	374,791	-
Total deferred outflows of resources	6,236,251	-
LIABILITIES		
Accounts payable	1,603,662	3,250
Accrued liabilities	956,315	-
Intergovernmental payables	500,698	-
Bond anticipation notes payable	5,998,400	-
Unearned revenue	353,123	24,848
Noncurrent liabilities:		
Due within one year	4,043,096	-
Due within more than one year	72,554,559	-
Total liabilities	86,009,853	28,098
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows—relating to pensions	1,526,238	-
Total deferred inflows of resources	1,526,238	-
NET POSITION		
Net investment in capital assets	15,922,124	-
Restricted for:		
Workers' compensation	1,620,178	-
Liability claims	114,889	-
Special Purpose Fund	71,876	-
Capital projects	2,953,603	-
Debt service	1,222,416	-
Unrestricted	(30,245,404)	251,246
Total net position	$ (8,340,318)	$ 251,246

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PORT CHESTER, NEW YORK
Statement of Activities
Year Ended May 31, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Component Unit: Industrial Development Agency
Primary government:						
Governmental activities:						
General government support	$ 9,684,084	$ 2,095,735	$ 30,912	$ 472,720	$ (7,084,717)	$ -
Public safety	20,663,932	4,097,033	54,096	-	(16,512,803)	-
Health	276,539	22,505	-	-	(254,034)	-
Transportation	3,628,251	70,602	-	264,109	(3,293,540)	-
Economic assistance and opportunity	653,676	-	-	112,191	(541,485)	-
Culture and recreation	3,083,754	483,065	-	-	(2,600,689)	-
Home and community services	4,515,720	1,973,583	125,248	274,430	(2,142,459)	-
Interest and other fiscal charges	965,483	-	-	-	(965,483)	-
Total primary government	$ 43,471,440	$ 8,742,523	$ 210,256	$ 1,123,450	(33,395,211)	-
Component unit:						
Industrial Development Agency	$ 122,932	$ 14,478	$ -	$ -		(108,454)
General revenues:						
Taxes					29,209,656	-
Use of money and property					10,979	598
Miscellaneous					551,081	-
State sources—unrestricted					726,799	-
Total general revenues					30,498,515	598
Change in net position					(2,896,696)	(107,856)
Net position—beginning					(5,443,622)	359,102
Net position—ending					$ (8,340,318)	$ 251,246

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PORT CHESTER, NEW YORK
Balance Sheet—Governmental Funds
May 31, 2017

	General	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 4,213,907	$ -	$ 195,433	$ 4,409,340
Restricted cash and cash equivalents	1,969,538	9,760,280	1,291,668	13,021,486
Receivables	885,719	3,283	945,314	1,834,316
Intergovernmental receivables	1,825,840	18,625	-	1,844,465
Due from other funds	6,217	10,000	15,294	31,511
Prepaid items	473,969	-	-	473,969
Total assets	$ 9,375,190	$ 9,792,188	$ 2,447,709	$ 21,615,087
LIABILITIES				
Accounts payable	$ 884,338	$ 718,909	$ 415	$ 1,603,662
Accrued liabilities	657,343	-	-	657,343
Intergovernmental payables	500,698	-	-	500,698
Due to other funds	22,670	2,624	1,251	26,545
Bond anticipation notes payable	-	5,998,400	-	5,998,400
Unearned revenue	234,471	118,652	-	353,123
Total liabilities	2,299,520	6,838,585	1,666	9,139,771
FUND BALANCES				
Nonspendable	473,969	-	-	473,969
Restricted	1,735,067	2,953,603	1,294,292	5,982,962
Committed	345,899	-	-	345,899
Assigned	-	-	1,151,751	1,151,751
Unassigned	4,520,735	-	-	4,520,735
Total fund balances	7,075,670	2,953,603	2,446,043	12,475,316
Total liabilities and fund balances	$ 9,375,190	$ 9,792,188	$ 2,447,709	$ 21,615,087

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PORT CHESTER, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds to the Government-wide Statement of Net Position
May 31, 2017

Amounts reported for governmental activities in the statement of net position (page 13) are different because:

Total fund balances—governmental funds (page 15)		$ 12,475,316
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is $84,035,472 and the accumulated depreciation is $32,664,492.		51,370,980
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows related to employer contributions	$ 500,698	
Deferred outflows related to experience, changes of assumptions investment earnings, and changes in proportion	5,360,762	
Deferred inflows of resources related to pension plans	(1,526,238)	4,335,222
For refunding bonds, the difference between the reacquisition price and the net carrying amount of the refunded debt should be reported as a deferred charge and recognized as a component of interest expense over either the lesser of the life of the debt issuance or the bonds refunded for the government-wide statements.		374,791
Net accrued interest expense for bond anticipation notes and serial bonds is not reported in the funds.		(298,972)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effects of these items are:		
Serial bonds	$ (37,210,370)	
Premiums on serial bonds	(1,634,972)	
Compensated absences	(4,930,963)	
OPEB obligation	(23,750,767)	
Net pension liability	(7,513,481)	
Judgments and claims	(1,557,102)	(76,597,655)
Net position of governmental activities		$ (8,340,318)

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PORT CHESTER, NEW YORK
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)—Governmental Funds
Year Ended May 31, 2017

	General	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Real property taxes	$ 22,955,545	$ -	$ -	$ 22,955,545
Real property tax items	1,017,392	-	-	1,017,392
Non-property tax items	5,236,719	-	-	5,236,719
Departmental income	4,141,470	-	1,568,945	5,710,415
Use of money and property	285,127	-	6,556	291,683
Licenses and permits	279,979	-	-	279,979
Fines and forfeitures	2,470,005	-	-	2,470,005
Miscellaneous	408,216	55,486	473,080	936,782
State aid	825,066	376,300	-	1,201,366
Federal aid	111,989	274,430	-	386,419
Total revenues	37,731,508	706,216	2,048,581	40,486,305
EXPENDITURES				
Current:				
General government support	6,317,450	-	480,220	6,797,670
Public safety	11,619,465	-	-	11,619,465
Health	261,723	-	-	261,723
Transportation	1,734,800	-	-	1,734,800
Economic assistance and opportunity	423,609	-	-	423,609
Culture and recreation	2,085,939	-	-	2,085,939
Home and community services	2,409,183	-	328,232	2,737,415
Employee benefits	10,528,479	-	-	10,528,479
Debt service:				
Principal	2,875,000	-	-	2,875,000
Interest and other fiscal charges	996,799	-	-	996,799
Capital outlay	-	4,909,969	-	4,909,969
Total expenditures	39,252,447	4,909,969	808,452	44,970,868
Excess (deficiency) of revenues over expenditures	(1,520,939)	(4,203,753)	1,240,129	(4,484,563)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,113,474	166,600	773	1,280,847
Transfers out	(166,600)	(773)	(1,113,474)	(1,280,847)
Serial bond proceeds	-	12,515,370	-	12,515,370
Premium on serial bonds	-	-	824,167	824,167
Total other financing sources (uses)	946,874	12,681,197	(288,534)	13,339,537
Net change in fund balances	(574,065)	8,477,444	951,595	8,854,974
Fund balances (deficit)─beginning	7,649,735	(5,523,841)	1,494,448	3,620,342
Fund balances─ending	$ 7,075,670	$ 2,953,603	$ 2,446,043	$ 12,475,316

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PORT CHESTER, NEW YORK

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities
Year Ended May 31, 2017

Amounts reported for governmental activities in the statement of activities (page 14) are different because:

Net change in fund balances (deficit)—total governmental funds (page 17)		$ 8,854,974
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization expense in the current period.		
Capital asset additions, net	$ 5,178,507	
Loss on disposal of assets	(93,022)	
Depreciation/amortization expense	(2,688,870)	2,396,615
Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:		
Direct pension contributions	$ 500,698	
Cost of benefits earned net of employee contributions	(1,922,283)	(1,421,585)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		(52,004)
In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid.		83,320
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:		
Proceeds from serial bonds	$ (12,515,370)	
Premiums on serial bonds	(824,167)	
Repayment of serial bonds	2,875,000	
Amortization of premiums on serial bonds	101,624	
Change in compensated absences	(211,204)	
Change in OPEB obligation	(2,101,807)	
Change in judgments and claims	(82,092)	(12,758,016)
Change in net position of governmental activities		$ (2,896,696)

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PORT CHESTER, NEW YORK
Statement of Net Position—Agency Fund
May 31, 2017

	Agency Fund
ASSETS	
Restricted cash and cash equivalents	$ 1,727,825
Total assets	$ 1,727,825
LIABILITIES	
Temporary withholdings liabilities	$ 1,722,859
Due to other funds	4,966
Total liabilities	$ 1,727,825

The notes to the financial statements are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Village of Port Chester, New York (the "Village") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Village. All fiduciary activities are reported only in the fund financial statements. *Governmental activities,* which are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges to external customers for support. The Village reports no business-type activities. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

Reporting Entity

The Village was established pursuant to an act of the New York State Legislature in 1868. The Village operates under a Board of Trustees form of government in accordance with its Charter 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 Mayor serves as the Chief Executive Officer of the Village for all purposes except for any duties and responsibilities specifically delegated to the Village Manager. The Village Manager serves as the Chief Administrative Officer and the Village Treasurer serves as the Chief Financial Officer. The Village provides the following services to its residents: public safety, health, transportation, economic opportunity and development, culture and recreation, home and community services and general and administrative support.

Independently elected officials of the Village include the Mayor and Trustees (6).

Units of local government which operate within the boundaries of the Village are the County of Westchester and the Town of Rye. Public education is provided by the Port Chester-Rye Union Free School District.

The accompanying financial statements present the Village and its component unit, an entity for which the Village is considered to be financially accountable.

Discretely Presented Component Unit—The component unit column in the basic financial statements includes the financial data of the Village's discretely presented component unit. This unit is reported in a separate column to emphasize that it is legally separate from the Village.

Village of Port Chester Industrial Development Agency—The Village of Port Chester Industrial Development Agency (the "Agency") is a public benefit corporation created by State legislation to promote the economic welfare, job opportunities and prosperity of the Village's inhabitants. Members of the Agency are appointed by Board of Trustees. Agency members have complete responsibility for management of the Agency and accountability for fiscal matters. The Village is not liable for Agency bonds or notes. The governing board of the Agency serves at the pleasure of the Village Board and, therefore, the Village is considered able to impose its will on the Agency. Separately issued financial statements for the Agency may be obtained by writing the Village of Port Chester Industrial Development Agency at 222 Grace Church Street, Port Chester, New York 10573.

Related Organization—The Port Chester Housing Authority (the "Authority") is a related organization to the Village at May 31, 2017. Although the Village appoints a majority of the Authority's board, it may not remove any board members at will and the Village has no ongoing relationship with the appointees.

Basis of Presentation—Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the Village has one discretely presented component unit. While the Agency is not considered to be a major component unit, it is nevertheless shown in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments and charges between the Village's various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation—Fund Financial Statements

The fund financial statements provide information about the Village's 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 reports the following major governmental funds:

- *General Fund*—The General Fund constitutes the primary operating fund of the Village and includes all operations not required to be recorded in other funds. The principal source of revenue for the General Fund is real property taxes.

- *Capital Projects Fund*—The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of major capital facilities. The principal sources of revenue and financing for the Capital Projects Fund are federal and state grants, bond proceeds and transfers in from the Village's operating funds.

The Village also reports the following nonmajor governmental funds:

- *Sewer Fund*—The Sewer Fund is used to record all revenues and expenditures related to operation and maintenance of the Village's sewer operations. The principal source of revenue for the Sewer Fund is sewer rents.

- *Debt Service Fund*—The Debt Service Fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

- *Special Purpose Fund*—The Special Purpose Fund is used to account for special projects or programs created for the benefit of the Village, generally funded through gifts and donations.

Additionally, the Village reports the following fund type:

Fiduciary Funds—These funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. Fiduciary funds include the *Agency Fund*. The Agency Fund is custodial in nature and does not involve measurement of results of operations. The Agency Fund accounts, such as payroll withholdings, are reported as liabilities.

During the course of operations the Village has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for sewer billings which are considered revenues once bills are issued. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pensions, other post-employment benefits, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period of availability. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and amount is received during the period of availability. All other revenue items are considered to be measureable and available only when cash is received by the Village.

The Agency Fund has no measurement focus, but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash, Cash Equivalents and Investments—The Village's cash, cash equivalents and investments consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. The Village had no investments at May 31, 2017; however, when the Village does have investments they are recorded at fair value in accordance with GASB.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents represents unspent proceeds of debt, future disbursements associated with unearned revenue and amounts to support fund balance restrictions.

Prepaid Items—Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than when purchased.

Capital Assets—Capital assets, which include land, construction in progress, land improvements, buildings and improvements, infrastructure, machinery and equipment, and intangible assets, are reported in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than $5,000 and estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at estimated fair market value of the item at the date of its donation.

Land and construction in progress are not depreciated. The other capital assets of the primary government are depreciated or amortized using the straight line method over the following estimated useful lives:

Class of Asset	Years
Land improvements	10-50
Buildings and improvements	20-50
Infrastructure	25-50
Machinery and equipment	5-10
Intangible assets	10

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (i.e. the purchase of a new highway vehicle included as part of *expenditures—transportation*). At times, the amounts reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (i.e. furnishings below the capitalization threshold).

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. At May 31, 2017, the Village has two items that qualify for reporting in this category. The first item is related to pensions reported in the government-wide financial statements. This item represents the effect of the net change in the Village's proportion of the collective net pension liability, the difference during the measurement period between the Village's contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date. The second item is a deferred loss on refunding which the Village reports within its governmental activities. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At May 31, 2017, the Village has one item that qualifies for reporting in this category. This item represents the effect of the net change in the Village's proportion of the collective net pension liability and the difference during the measurement periods between the Village's contributions and its proportionate share of total contributions to the pension systems not included in pension expense, and is reported on the government-wide statements.

Net Position Flow Assumptions—Sometimes the Village will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Balance Flow Assumptions—Sometimes the Village will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Village itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Village's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the Village that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes, but do not meet the criteria to be classified as committed. The Board of Trustees has by resolution authorized the Village Manager to assign fund balance. The Board may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenses/Expenditures

Program Revenues—Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes—The Village real property taxes for the period of June 1st to May 31st are levied annually on June 1st. Tax payments are due June 1st with the first half payable without penalty until June 30th and the second half due December 1st and payable without penalty until December 31st. A 2% penalty is imposed in July for the first half and in January for the second half, with an additional 1% applied each month thereafter until the date of redemption or in-rem foreclosure. All unpaid taxes are then sent to the Town of Rye to be re-levied on the Town tax bill. The Town assumes enforcement responsibility for all uncollected taxes. The Village will receive the full amount of such taxes within the year of levy.

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial purposes. At May 31, 2017, the Village reported $234,471 and $118,652 of unearned revenue in the General Fund and Capital Projects Fund, respectively. The Village received restricted cash in advance related to prepaid fees for programs and grants but has not performed the services and therefore recognizes a liability.

Compensated Absences—The Village labor agreements and Village rules and regulations provide for sick leave, vacations, and other miscellaneous paid absences. Upon retirement, certain eligible employees qualify for paid hospitalization insurance premiums and/or payment for fractional values of unused sick leave. These payments are budgeted annually without accrual.

Payment of sick leave and compensatory time is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of sick leave and compensatory time when such payment becomes due.

Pensions—The Village is mandated by New York State law to participate in the New York State Local Employee's Retirement System ("ERS") and the New York State Police and Fire Retirement System ("PFRS"). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 6.

Other Post-Employment Benefits—In addition to providing pension benefits, the Village provides health insurance coverage and/or payments for fractional values of unused sick leave for certain retired employees at the time of retirement as discussed in Note 7.

Other

Estimates—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncement—During the year ended May 31, 2017, the Village implemented GASB Statements No. 72, *Fair Value Measurement and Application*, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, No. 77, *Tax Abatement Disclosures*, No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and No. 79, *Certain External Investment Pools and Pool Participants.* The objective of GASB Statement No. 72 is to enhance comparability of financial statements among governments by requiring measurements of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The objective of GASB Statement No. 76 is to reduce the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The objective of GASB Statement No. 77 is to improve financial reporting by state and local governments that enter into tax abatement agreements by requiring the disclosure of information about the nature and magnitude of tax abatements to make these transactions more transparent to financial statement users. The objective of GASB Statement No. 78 is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The objective of GASB Statement No. 79 is to establish criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. GASB Statements No. 72, 76, 77, 78 and 79 did not have a material impact on the Village financial position or results from operations.

Future Impacts of Accounting Pronouncements—The Village has not completed the process of evaluating the impact that will result from adopting GASB Statements 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*; No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*; No. 81, *Irrevocable Split-Interest Agreements*; and No. 82, *Pension Issues; an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the year ending May 31, 2018, No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*; No. 85, *Omnibus*; and No. 86, *Certain Debt Extinguishments Issues*, effective for the year ending May 31, 2019, No. 83, *Certain Asset Retirement Obligations*; and No. 84, *Fiduciary Activities*, effective for the year ending May 31, 2020, and No. 87, *Leases*, effective for the fiscal year ending May 31, 2021. The Village is, therefore, unable to disclose the impact that adopting GASB Statements No. 73, 74, 75, 80, 81, 82, 83, 84, 85, 86, 87 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

Legal Compliance—Budgets—The Village generally follows these procedures in establishing the budgetary data reflected in the financial statements:

- The Budget Officer, the Village Manager, notifies the heads of administrative units in writing of the necessity for and form of estimates of revenues and expenditures for the ensuing fiscal year by February 8th.

- Prior to March 1st, each department head submits to the Budget Officer, their departmental estimates of revenues and expenditures for the ensuing fiscal year.

- The Budget Officer reviews the departmental estimates and formulates the proposed budget. The tentative budget is filed with the Village Clerk and furnished to the Village Board of Trustees on or before March 20th for the fiscal year commencing the following June 1st. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.

- The Village Clerk presents the tentative budget to the Village Board of Trustees and the board reviews and modifies the tentative budget no later than March 31st.

- Notice of public hearing on tentative budget; at least five days shall elapse between first publication and date specified for the hearing, which is to be held no later than April 15th. Public hearing may be adjourned from day to day, but not beyond April 20th.

- The final revision of tentative budget is made after public hearing but prior to adoption.

- After the final revision the Village Board of Trustees adopts the budget through the passage of a resolution no later than May 1st.

- Formal budgetary integration is employed as a management control device during the year for all governmental fund types. Budgetary control over individual capital projects is provided by Village Board of Trustees approval of bond authorizations and provisions of bond indebtedness.

- The Village Board has established legal control on the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval by the Village Manager. Any modifications to appropriations resulting from increases in revenue estimates or supplemental reserve appropriations also require a majority vote by the Board.

- Appropriations in the General Fund lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The Village has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York.

Cash and cash equivalents at May 31, 2017 are as follows:

	Governmental Activities	Fiduciary Fund	Total
Petty cash (uncollateralized)	$ 1,150	$ -	$ 1,150
Deposits	17,429,676	1,727,825	19,157,501
Total	$ 17,430,826	$ 1,727,825	$ 19,158,651

Deposits—All deposits are carried at fair value, and are classified by custodial credit risk at May 31, 2017 as follows:

	Bank Balance	Carrying Amount
FDIC insured	$ 750,000	$ 750,000
Uninsured:		
Collateral held by pledging bank's agent in the Village's name	19,510,848	18,407,501
Total	$ 20,260,848	$ 19,157,501

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As noted above, by New York State statute all deposits in excess of FDIC insurance coverage must be collateralized. At May 31, 2017, the Village's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the Village's name.

Restricted Cash and Cash Equivalents—The Village reported $13,021,486 of restricted cash within its governmental funds. These funds are set aside for future payment towards approved capital project spending, workers' compensation costs, liability claims, debt service costs, and special purpose fund programs.

Investments—The Village had no investments at May 31, 2017.

Interest Rate Risk—The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments are general limited to 180 days or less.

Discretely Presented Component Unit

Port Chester Industrial Development Agency**—**The Agency had unrestricted deposits of $272,057 which were held by the pledging financial institution's trust department or agent in the Agency's name.

3. RECEIVABLES

Major revenues accrued by the Village at May 31, 2017 consisted of the following:

Receivables**—**Represents amounts due from various sources. Receivables at May 31, 2017 are as follows:

Governmental Funds:		
General Fund:		
Village court	$ 275,200	
Continuing education	88,817	
Franchise fees	60,808	
Building department	39,357	
Property liens	64,355	
Other	357,182	$ 885,719
Capital Projects Fund:		
Other		3,283
Nonmajor funds:		
Sewer billings		945,314
Total governmental funds		$ 1,834,316

Intergovernmental Receivables—Represents amounts due from other units of government, such as Federal, New York State, Westchester County, or other local governments. Intergovernmental receivables at May 31, 2017 are as follows:

Governmental funds:		
General Fund:		
Sales tax	$ 1,074,909	
Property tax receivable	483,705	
Mortgage tax receivable	145,186	
Other	122,040	$ 1,825,840
Capital Projects Fund:		
Department of Environmental Conservation		18,625
Total governmental funds		$ 1,844,465

4. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended May 31, 2017 was as follows:

	Balance 6/1/2016	Increases	Decreases	Balance 5/31/2017
Capital assets, not being depreciated/amortized:				
Land	$ 904,938	$ 141,945	$ -	$ 1,046,883
Construction in progress	11,823,707	4,904,969	3,845,547	12,883,129
Total capital assets, not being depreciated/amortized:	12,728,645	5,046,914	3,845,547	13,930,012
Capital assets, being depreciated/amortized:				
Land improvements	5,740,408	-	79,837	5,660,571
Buildings and improvements	20,199,529	-	-	20,199,529
Infrastructure	23,815,353	2,408,316	-	26,223,669
Machinery and equipment	16,230,035	1,568,824	154,841	17,644,018
Intangible assets	377,673	-	-	377,673
Total capital assets, being depreciated/amortized	66,362,998	3,977,140	234,678	70,105,460
Less accumulated depreciation/amortization for:				
Land improvements	2,400,488	227,065	-	2,627,553
Buildings and improvements	6,315,296	582,077	-	6,897,373
Infrastructure	8,824,924	960,312	-	9,785,236
Machinery and equipment	12,467,196	885,561	141,656	13,211,101
Intangible assets	109,374	33,855	-	143,229
Total accumulated depreciation/amortization	30,117,278	2,688,870	141,656	32,664,492
Total capital assets, being depreciated/amortized, net	36,245,720	1,288,270	93,022	37,440,968
Governmental activities capital assets, net	$ 48,974,365	$ 6,335,184	$ 3,938,569	$ 51,370,980

Depreciation and amortization expense was charged to the functions and programs of governmental activities as follows:

Governmental activities:	
General government support	$ 356,013
Public safety	737,942
Transportation	920,600
Economic assistance and opportunity	25,717
Culture and recreation	410,398
Home and community services	238,200
Total governmental activities	$ 2,688,870

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at May 31, 2017, were as follows:

	General Fund
Salary and employee benefits	$ 657,343

6. PENSION PLANS

Plan Description and Benefits Provided

Police and Fire Retirement System ("PFRS") and Employee's Retirement System ("ERS")—The Village participates in the PFRS and ERS (the "Systems"). The Systems provide retirement benefits as well as death and disability benefits. The net position of the Systems is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all assets and record changes in fiduciary net position allocated to the Systems. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the Systems. System benefits are established under the provisions of the New York State Retirement and Social Security Law ("NYSRSSL"). 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 Systems are included in the State's financial report as a pension trust fund. That report, including information with regards 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.

The Systems are noncontributory, except for employees who joined the ERS after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 10, 2010 (ERS) or January 9, 2010 (PFRS), who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. 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 System's fiscal year ending March 31.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At May 31, 2017, the Village reported the following liabilities for its proportionate share of the net pension liabilities for PFRS and ERS. The net pension liabilities were measured as of March 31, 2017. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2016, with updated procedures used to roll forward the total net pension liabilities to the measurement date. The Village's proportion of the net pension liabilities were based on projections 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.

	PFRS	ERS
Measurement date	March 31, 2017	March 31, 2017
Net pension liability	$ 4,992,017	$ 2,521,464
Village's portion of the Plan's total net pension liability	0.2408517%	0.0268349%

For the year ended March 31, 2017, the Village recognized pension expenses of $2,907,753 and $1,417,467 respectively, for PFRS and ERS. At March 31, 2017, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	PFRS	ERS	PFRS	ERS
Differences between expected and actual experiences	$ 654,867	$ 63,186	$ 862,510	$ 382,899
Changes of assumptions	2,459,357	861,424	-	-
Net difference between projected and actual earnings on pension plan investments	745,550	503,638	-	-
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	46,568	26,172	167,787	113,042
Village contributions subsequent to the measurement date	331,979	168,719	-	-
Total	$ 4,238,321	$ 1,623,139	$ 1,030,297	$ 495,941

The Village's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended May 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending May 31,	PFRS	ERS
2018	$ 961,274	$ 450,377
2019	961,274	450,377
2020	905,629	407,592
2021	(58,287)	(349,867)
2022	106,155	-

Actuarial Assumptions—The total pension liabilities as of the measurement date were determined by using actuarial valuations as noted in the table below, with update procedures used to roll forward the total pension liabilities to the measurement date. The actuarial valuations used the following actuarial assumptions:

	PFRS	ERS
Measurement date	March 31, 2017	March 31, 2017
Actuarial valuation date	April 1, 2016	April 1, 2016
Interest rate	7.00%	7.00%
Salary scale	4.50%	3.80%
Decrement tables	April 1, 2010- March 31, 2015	April 1, 2010- March 31, 2015
Inflation rate	2.5%	2.5%
Cost-of-living adjustments	1.3%	1.3%

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, 2016 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 using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense 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 asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	PFRS and ERS	
	Target Allocation	Long-Term Expected Real Rate of Return
Measurement date	March 31, 2016	
Asset class:		
Domestic equities	36.0 %	4.6 %
International equities	14.0	6.4
Private equity	10.0	7.8
Real estate	10.0	5.8
Absolute return strategies	2.0	4.0
Opportunistic portfolio	3.0	5.9
Real assets	3.0	5.5
Bonds and mortgages	17.0	1.3
Cash	1.0	(0.3)
Inflation-indexed bonds	4.0	1.5
Total	100.0 %	

Discount Rate—The discount rate used to calculate the total pension liabilities 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 Systems' 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 chart below presents the Village's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.0%, as well as what the Village's proportionate share of the net pension liability/(asset) would be if they were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage-point higher (8.0%) than the current assumption.

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability/(asset)—PFRS	$ 14,152,079	$ 4,992,017	$ (2,691,032)
Employer's proportionate share of the net pension liability/(asset)—ERS	8,053,055	2,521,464	(2,155,487)

Pension Plan Fiduciary Net Position—The components of the current-year net pension liabilities of the employers as of the valuation dates, were as follows:

	(Dollars in Thousands)		
	PFRS	ERS	Total
Valuation date	April 1, 2016	April 1, 2016	
Employers' total pension liability	$ 31,670,483	$ 177,400,586	$ 209,071,069
Plan fiduciary net position	29,597,830	168,004,363	197,602,193
Employers' net pension liability	$ 2,072,653	$ 9,396,223	$ 11,468,876
System fiduciary net position as a percentage of total pension liability	93.5%	94.7%	94.5%

7. OTHER POST-EMPLOYMENT BENEFITS ("OPEB") OBLIGATION

Plan Description—In addition to providing pension benefits, the Village provides health insurance coverage and/or payment for fractional values of unused sick leave to eligible retired employees. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the Village may vary according to length of service. The cost of providing post-employment benefits is shared between the Village and the retired employee. Substantially all of the Village's employees may become eligible for these benefits if they reach normal retirement age while working for the Village. The cost of retiree health care benefits is recognized as an expenditure/payable as claims are paid. There were approximately 140 retirees receiving health care benefits at May 31, 2017.

Funding Policy—The employer's funding policy is to contribute the current annual premium (net of employee contributions) for all retired participants (i.e., pay-as-you-go). Current New York State law prohibits municipalities from pre-funding retiree medical benefit obligations in a Trust.

The Village recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. The Village contributions for the year ended May 31, 2017 were $2,361,960.

The Village's annual OPEB cost is calculated based on the annual required contributions ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed thirty years. The table below shows the components of the Village's annual OPEB cost for the past three years, the amount contributed to the plan, and the changes in the Village's net OPEB obligation.

	Year Ended May 31,		
	2017	2016	2015
Annual required contribution ("ARC")	$ 3,652,338	$ 3,680,891	$ 3,550,124
Interest on net OPEB obligation	865,958	860,343	755,100
Adjustment to ARC	(54,529)	117,880	117,880
Annual OPEB cost (expense)	4,463,767	4,659,114	4,423,104
Contributions made	(2,361,960)	(2,128,878)	(2,084,380)
Increase in net OPEB obligation	2,101,807	2,530,236	2,338,724
Net OPEB obligation—beginning	21,648,960	19,118,724	16,780,000
Net OPEB obligation—ending	$ 23,750,767	$ 21,648,960	$ 19,118,724
Percentage of ARC contributed	64.7%	57.8%	58.7%

Funding Status and Funding Progress—As of May 31, 2017, calculations were based on plan data as of June 1, 2016 and financial data as of May 31, 2017. The actuarial accrued liability for benefits was $66,295,130, all of which was unfunded.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Village's schedule of contributions for the most recent three years is shown below:

Year Ended May 31,	Annual OPEB Cost	Contributions Made	Percentage of Annual OPEB Cost Contributed
2017	$ 4,463,767	$ 2,361,960	52.9%
2016	4,659,114	2,128,878	45.7%
2015	4,423,104	2,084,380	47.1%

Actuarial Methods and Assumptions—Calculations are based on the types of benefits provided under the terms of the substantive plan, the plan as understood by the employer and the plan members, at the time of the valuation and on the pattern of cost sharing between the employer and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the June 1, 2016 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a valuation date of June 1, 2016 and measurement date of May 31, 2017. The expected investment rate of return on employer's assets is 4.0%. The rate is based on the projected long-term earning rate of the assets expected to be available to pay benefits. Since the Village does not currently segregate funding for these benefits, the appropriate rate is the expected return on the employer's assets. RP-2014 Healthy Male and Female Tables is used for mortality rates. The rates of decrement due to retirement is based on the most recent decrement tables from the New York State ERS. The assumed rates of increase in health care vary from 5.0% to 9.0%. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar open basis, therefore the remaining amortization period at May 31, 2017 was 21 years.

8. RISK MANAGEMENT

The primary general liability insurance policy of the Village is limited to $1,000,000 per occurrence and $2,000,000 in aggregate, with specific policy coverage for fire damage limited to $50,000, medical expense limited to $10,000, personal and advertising injury limited to $1,000,000, products completed operations limited to $1,000,000, and employee benefit liability limited to $1,000,000. The Village carries an umbrella liability policy limited to $10,000,000 per occurrence and $20,000,000 in aggregate over the underlying primary policies. The Village's workers compensation and employer's liability policies include coverage for accident and disease limited to $100,000 per accident and $500,000 for total disease at $100,000 per employee. In addition, the Village holds specific policy coverage at various limits for crime, public officials, law enforcement, accident and health, business auto, inland marine, and commercial property.

Judgments and Claims—The Village is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Village purchases commercial insurance to cover such potential risks. There have not been any significant changes in any type of insurance coverage from the prior year, nor have there been any settlements which have exceeded insurance coverage in the past three fiscal years.

The government-wide financial statements reflect the liability for workers' compensation and general liability claims. These amounts are based upon estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported, but not settled, and of claims that have been incurred but not reported ("IBNR"). The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques. The variety of techniques produces current estimates that reflect recent settlements, claims frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claims is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and other factors that are considered to be appropriate modifiers of past experience. Typically these judgments and claims will be paid out of the General Fund.

An analysis of the activity of unpaid claims liabilities for the past two years is as follows:

	Workers' Compensation	General Liability	Total Judgments and Claims
Balance at June 1, 2016	$ 1,092,660	$ 382,350	$ 1,475,010
Provision for claims and claims adjustments expenses	1,677,508	15,294	1,692,802
Claims and claims adjustment expenses paid	(1,506,066)	(104,644)	(1,610,710)
Balance at May 31, 2017	$ 1,264,102	$ 293,000	$ 1,557,102

	Workers' Compensation	General Liability	Total Judgments and Claims
Balance at June 1, 2015	$ 1,106,837	$ 166,445	$ 1,273,282
Provision for claims and claims adjustments expenses	1,396,862	323,005	1,719,867
Claims and claims adjustment expenses paid	(1,411,039)	(107,100)	(1,518,139)
Balance at May 31, 2016	$ 1,092,660	$ 382,350	$ 1,475,010

9. SHORT-TERM DEBT

Liabilities for bond anticipation notes ("BANs") are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. The following is a summary of the Village's short-term debt for the fiscal year ended May 31, 2017:

Description	Interest Rate	Maturity Date	Balance 6/1/2016	Increases	Decreases	Balance 5/31/2017
Various capital projects	2.00%	2/23/2017	$ 11,425,370	$ -	$ 11,425,370	$ -
Various capital projects	2.00%	2/22/2018	-	5,998,400	-	5,998,400
Total			$ 11,425,370	$ 5,998,400	$ 11,425,370	$ 5,998,400

10. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

The Village's outstanding long-term liabilities include serial bonds, compensated absences, other post-employment benefits ("OPEB") obligation, net pension liability and judgments and claims. The serial bonds of the Village are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the Village's long-term debt at May 31, 2017 follows:

	Balance 6/1/2016	Additions	Reductions	Balance 5/31/2017	Due Within One Year
Serial bonds	$ 27,570,000	$ 12,515,370	$ 2,875,000	$ 37,210,370	$ 3,575,370
Premiums on serial bonds	912,429	824,167	101,624	1,634,972	143,323
Bonds payable	28,482,429	13,339,537	2,976,624	38,845,342	3,718,693
Compensated absences	4,719,759	1,584,808	1,373,604	4,930,963	246,548
OPEB obligation	21,648,960	4,463,767	2,361,960	23,750,767	-
Net pension liability*	11,124,037	-	3,610,556	7,513,481	-
Judgments and claims	1,475,010	1,692,802	1,610,710	1,557,102	77,855
Total	$ 67,450,195	$ 21,080,914	$ 11,933,454	$ 76,597,655	$ 4,043,096

(*reductions to the net pension liability are shown net of additions)

Serial Bonds—The Village issues general obligation bonds to provide funds for the acquisition, construction, and renovation of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 2 to 26 years.

On February 15, 2017, the Village issued $8,960,370 in various purposes public improvement serial bonds, series 2017A, to convert $4,720,370 of the $11,425,370 bond anticipation notes, series 2016A, to long-term debt and provide $4,240,000 of new money for various capital acquisitions. The serial bonds were issued at a premium of $824,167 and carry interest rates ranging from 3.0% to 5.0%. Principal payments on the bonds begin on February 15, 2018 and mature of February 15, 2031.

On February 15, 2017, the Village issued $3,555,000 various purpose public improvement serial bonds, series 2017B, to convert a portion of the $11,425,370 bond anticipation notes, series 2016A to long-term debt. The serial bonds carry interest rates ranging from 2.0% to 5.0%. Principal payments on the bonds begin on February 15, 2018 and mature on February 15, 2044.

A summary of the Village's general obligation bonds additions and reductions for the year ended May 31, 2017 is presented below:

Purpose	Original Issue	Year of Issue/ Maturity	Interest Rate (%)	Balance 6/1/2016	Additions	Reductions	Balance 5/31/2017
Public Improvement Bonds	$ 3,096,000	2007/2017	4.00	$ 150,000	$ -	$ 150,000	$ -
Public Improvement Bonds	6,569,000	2008/2018	3.75	785,000	-	385,000	400,000
Public Improvement Bonds	2,348,081	2009/2028	4.25	1,735,000	-	115,000	1,620,000
Public Improvement Bonds	3,756,000	2010/2026	3.49	2,710,000	-	230,000	2,480,000
Public Improvement Refunding Bonds	3,485,000	2011/2021	3.00	1,830,000	-	345,000	1,485,000
Public Improvement Refunding Bonds	6,975,000	2012/2025	2.00-3.00	4,965,000	-	640,000	4,325,000
Public Improvement Refunding Bonds	2,405,000	2012/2025	2.00-3.30	2,245,000	-	200,000	2,045,000
Public Improvement Refunding Bonds	5,300,000	2014/2026	2.00-3.00	4,935,000	-	555,000	4,380,000
Public Improvement Bonds	3,495,650	2016/2028	1.00-5.00	3,250,000	-	250,000	3,000,000
Public Improvement Refunding Bonds	4,965,000	2016/2027	3.00-4.00	4,965,000	-	5,000	4,960,000
Public Improvement Bonds	8,960,370	2017/2031	3.00-5.00	-	8,960,370	-	8,960,370
Public Improvement Bonds	3,555,000	2017/2044	2.00-5.00	-	3,555,000	-	3,555,000
Total				$27,570,000	$12,515,370	$2,875,000	$37,210,370

Prior Years' Bonds Refunding—On April 15, 2014, the Village issued $5,300,000 in refunding bonds, which partially refunded the previously issued Series 2004A and Series 2005B public improvement bonds. The bonds were issued at a premium of $157,994 and included $114,712 of issuance costs. The Village deposited $5,343,282 with an escrow agent and as a result, the portions of original Series 2004A and 2005B bonds are considered refunded and the liability of these bonds, $1,925,000 and $3,195,000, respectively, have been removed from the financial statements. The refunded bonds produced a net present value debt service savings of approximately $382,122. The difference between the reacquisition price and the amount refunded, $223,282, was reported as a deferred outflow of resources and will be amortized over the life of the refunding issuance. The unamortized deferred outflow of resources outstanding was $162,388 at May 31, 2017.

On February 23, 2016, the Village issued $4,965,000 in refunding bonds, which partially refunded the previously issued Series 2006A and 2007A public improvement bonds. The bonds were issued at a premium of $637,196 and included $88,027 of issuance costs. The interest on the refunding bonds ranged from 3.0 percent to 4.0 percent. The Village deposited $5,499,109 with an escrow agent and as a result, the portions of original Series 2006A and 2007B bonds, as described above, are considered refunded and the liability of these bonds, $1,915,000 and $3,340,000, respectively, has been removed from the financial statements. The difference between the reacquisition price and the amount refunded, $244,109, is reported as a deferred outflow of resources and will be amortized over the remaining life of the respective refunded debt. The unamortized deferred outflow of resources was $212,403 at May 31, 2017.

The Village's unamortized deferred charge on the refunding balances as of May 31, 2017 was $374,791.

Amortization of Bond Premiums—As noted above, on April 15, 2014, the Village issued $5,300,000 in refunding bonds and received a bond premium of $157,994. The premium is being amortized on a straight-line annual basis over the life of the bonds, which mature on August 15, 2025. The unamortized premium was $114,905 as of May 31, 2017.

On February 15, 2015, the Village issued bonds totaling $3,495,650 and received a premium of $158,129. The premium is being amortized on a straight-line basis over the life of the bonds, which mature on February 15, 2028. The unamortized premium was $133,801 as of May 31, 2017.

As noted above, on February 23, 2016, the Village issued $4,965,000 in refunding bonds and received a bond premium of $637,196. The premium is being amortized on a straight-line annual basis over the life of the bonds, which mature on August 1, 2026. The unamortized premium was $579,269 as of May 31, 2017.

On February 15, 2018, the Village issued bonds totaling $8,960,370 and received a premium of $824,167. The premium is being amortized on a straight-line basis over the life of the bond, which matures on February 15, 2031. The unamortized premium was $806,997 as of May 31, 2017.

Compensated Absences—As described in Note 1, the Village records the value of compensated absences. The annual budgets of the operating funds provide funding for these benefits as they become payable. The liability for compensated absences at May 31, 2017 amounts to $4,930,963 of which $246,548 has been included within the current portion of long-term debt. Since payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable.

OPEB Obligation—As explained in Note 7, the Village provides health insurance coverage for certain retirees. The Village's OPEB cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB. The long-term OPEB liability is estimated to be $23,750,767 at May 31, 2017.

Net Pension Liability—The Village reported a liability for its proportionate share of the net pension liability for the Police and Fire Retirement System and Employees' Retirement System. The net pension liability is estimated to be $7,513,481 in the governmental activities at May 31, 2017. Refer to Note 6 for additional information related to the Village's net pension liability.

Judgments and Claims—As explained in Note 8, the Village records the liabilities for workers' compensation and general liability claims. The long-term liability is estimated to be $1,557,102 as of May 31, 2017, of which management estimates $77,855 due within one year.

The following is a maturity schedule of the Village's indebtedness:

Year Ending May 31,	Serial Bonds	Premiums on Serial Bonds	Compensated Absences	OPEB Obligation	Net Pension Liability	Judgments and Claims	Total
2018	$ 3,575,370	$ 143,323	$ 246,548	$ -	$ -	$ 77,855	$ 4,043,096
2019	3,650,000	143,323	-	-	-	-	3,793,323
2020	3,730,000	143,323	-	-	-	-	3,873,323
2021	3,830,000	143,323	-	-	-	-	3,973,323
2022	3,535,000	143,323	-	-	-	-	3,678,323
2023-2027	12,935,000	687,888	-	-	-	-	13,622,888
2028-thereafter	5,955,000	230,469	4,684,415	23,750,767	7,513,481	1,479,247	43,613,379
Total	$ 37,210,370	$ 1,634,972	$ 4,930,963	$ 23,750,767	$ 7,513,481	$ 1,557,102	$ 76,597,655

Interest requirements on serial bonds payable are as follows:

Year Ending May 31,	Interest
2018	$ 699,378
2019	623,554
2020	542,791
2021	455,928
2022	365,409
2023-2027	728,760
2028-thereafter	19,990
Total	$ 3,435,810

11. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- ***Net Investment in Capital Assets***—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt (net of amounts reserved to pay debt) that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. A reconciliation of the Village's governmental activities net investment in capital assets are as follows:

Capital assets, net of accumulated depreciation	$ 51,370,980
Less related debt:	
Serial bonds	(37,110,370)
Bond anticipation notes	(5,998,400)
Unspent debt proceeds	8,920,095
Unamortized bond premiums	(1,634,972)
Deferred charge on refunding	374,791
Net investment in capital assets	$ 15,922,124

- ***Restricted Net Position***—This category represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- ***Unrestricted Net Position***—This category represents net position of the Village not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the Village at May 31, 2017 includes the following:

- ***Prepaid Items***—Represents amounts prepaid to vendors and employees that are applicable to future accounting periods. The General Fund reported $473,969 of nonspendable fund balance at May 31, 2017.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as grants, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. Restricted fund balance maintained by the Village at May 31, 2017 includes the following:

- ***Restricted for Workers' Compensation***—Represents funds accumulated for workers' compensation claims, which are not anticipated to be funded through the Village's operating budget. At May 31, 2017, the General Fund reported amounts restricted for workers' compensation of $1,620,178.

- ***Restricted for Liability Claims***—Represents resources accumulated to pay for claims, actions or judgments against the Village that result from personal injuries or property damage. At May 31, 2017, the General Fund reported amounts restricted for liability claims of $114,889.

- ***Restricted for Capital Projects***—Represents resources legally restricted for the financial resources to be used for acquisition, construction or renovation of major capital facilities or equipment. At May 31, 2017, the Capital Projects Fund reported amounts restricted for Capital Projects of $2,953,603.

- ***Restricted for Debt Service***—Represents resources that have been legally restricted for principal and interest payments that will be made in future periods. At May 31, 2017, the Debt Service Fund reported amounts restricted for debt service of $1,222,416.

- ***Restricted for Special Purpose Fund***—Represents amounts that report the difference between assets and liabilities of the certain programs with constraints placed on their use by either external parties and/or statute. At May 31, 2017, the Village reported amounts restricted for Special Purpose Fund of $71,876.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the Village's highest level of decision-making authority. At May 31, 2017, the Village reported the following commitments:

- ***Committed for Debt Service***—Represents amounts, $201,651, within the General Fund set aside for future payments on the Village's indebtedness.

- ***Committed for Encumbrances***—Represents amounts, $144,248, within the General Fund related to unperformed (executory) contracts for goods and services.

In the fund financial statements, assignments are not legally required segregations, but are segregated for a specific purpose by the Village. At May 31, 2017, the Village reported the following fund balance assignment:

- ***Assigned to Specific Use***—Represents fund balance of $1,151,751 within the Sewer Fund that is assigned for a specific purpose. The assignment's purpose relates to the fund's operations and represents amounts that are not restricted or committed.

If the Village must use funds for emergency expenditures the Village Board of Trustees shall authorize the Village Manager to expend funds first from funds classified as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds as classified by GASB will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available, the Village will use unassigned fund balance.

12. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of May 31, 2017 is as follows:

	Interfund	
Fund	Receivable	Payable
Governmental funds:		
General Fund	$ 6,217	$ 22,670
Capital Projects Fund	10,000	2,624
Sewer Fund	12,670	1,251
Debt Service Fund	2,624	-
Total governmental funds	31,511	26,545
Fiduciary funds:		
Agency Fund	-	4,966
Total	$ 31,511	$ 31,511

The outstanding balances between funds result from payments made on behalf of other funds or temporary advances. All of these balances are expected to be collected/paid within the subsequent year.

The Village made the following interfund transfers during the year ended May 31, 2017:

Fund	Transfers in: General Fund	Capital Projects Fund	Debt Service Fund	Total
Transfers out:				
General Fund	$ -	$ 166,600	$ -	$ 166,600
Capital Projects Fund	-	-	773	773
Sewer Fund	883,474	-	-	883,474
Debt Service Fund	230,000	-	-	230,000
Total	$ 1,113,474	$ 166,600	$ 773	$ 1,280,847

Transfers are used primarily to move various fund revenues that the Village must account for in other funds in accordance with budgetary authorizations. Additionally, transfers from certain funds are used to finance various capital projects within the Capital Projects Fund.

13. AGENCY FUND

An agency fund exists for temporary deposit funds. A summary of changes in Agency Fund assets and liabilities for the fiscal year ended May 31, 2017 are as follows:

	Balance 6/1/2016	Increases	Decreases	Balance 5/31/2017
ASSETS				
Cash and cash equivalents	$ 1,385,787	$ 19,495,587	$ 19,153,549	$ 1,727,825
Total assets	$ 1,385,787	$ 19,495,587	$ 19,153,549	$ 1,727,825
LIABILITIES				
Temporary withholdings liabilities	$ 1,166,308	$ 20,745,638	$ 20,189,087	$ 1,722,859
Accounts payable	-	2,983,485	2,983,485	-
Due to other funds	219,479	18,289,729	18,504,242	4,966
Total liabilities	$ 1,385,787	$ 42,018,852	$ 41,676,814	$ 1,727,825

14. LABOR RELATIONS

Village employees are represented by three bargaining units, with the balance governed by Board of Trustees rules and regulations. Negotiated contracts are in place through May 31, 2020 for the CSEA Civil Service, and May 31, 2018 for the Port Chester Police Association.

15. COMMITMENTS

Encumbrances—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

The Village considers encumbrances to be significant for amounts that are encumbered in excess of $100,000. As of May 31, 2017, the Village reported no significant encumbrances. The Village had commitments totaling $144,248 at May 31, 2017 in the General Fund.

16. TAX ABATEMENTS

The Village is subject to programs entered into by Port Chester Industrial Development Agency ("IDA") and the Town of Rye (the "Town"). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the IDA and the Town and incentives may include property tax abatements of any new property tax revenue realized from the increased assessed value of any incentivized project from the investment of private capital. The abatement agreements include a stipulated reduction pursuant to the limits set forth in State statute and rules. In the future these new revenues will increase periodically until the project is taxed at full assessed value. Assuming the IDA and the Village's incentivized projects would have been completed absent tax abatement, the unrealized property tax revenue is $1,411,736. However, during 2017 the Village collected $930,010 related to these new incentivized projects.

17. CONTINGENCIES

Litigation**—**The Village is involved in litigation in the ordinary course of its operations. Various legal actions are pending against the Village. The outcome of these matters is not presently determinable, but in the opinion of management, the ultimate liability will not have a material adverse effect on the financial condition or results of operation of the Village.

Grants—In the normal course of operations, the Village receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 15, 2017, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles, other than the Village's authorization to finance the costs of various capital projects through the issuance of serial bonds amounting to $11,103,289.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF PORT CHESTER, NEW YORK
Schedule of Funding Progress—Other Post-Employment Benefits Plan
Year Ended May 31, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
As of June 1, 2016	$ -	$ 66,295,130	$ 66,295,130	-	$ 16,798,811	394.6%
As of June 1, 2014	-	64,623,195	64,623,195	-	14,700,000	439.6%
As of June 1, 2013	-	62,360,000	62,360,000	-	15,800,000	394.7%

VILLAGE OF PORT CHESTER, NEW YORK
Schedule of the Village's Proportionate Share of the Net Pension Liability—
Police and Fire Retirement System
Last Three Fiscal Years*

	Year Ended May 31,		
	2017	2016	2015
Measurement date	March 31, 2017	March 31, 2016	March 31, 2015
Village's proportion of the net pension liability	0.2408517%	0.2326512%	0.2165375%
Village's proportionate share of the net pension liability	$ 4,992,017	$ 6,888,305	$ 596,040
Village's covered-employee payroll	$ 8,468,170	$ 8,366,330	$ 7,739,639
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll	59.0%	82.3%	7.7%
Plan fiduciary net position as a percentage of the total pension liability	90.2%	99.0%	98.5%

*Information prior to the year ended May 31, 2015 is not available.

VILLAGE OF PORT CHESTER, NEW YORK
Schedule of the Village's Contributions
Police and Fire Retirement System
Last Three Fiscal Years*

	Year Ended May 31,		
	2017	**2016**	**2015**
Contractually required contributions	$ 1,888,605	$ 1,794,850	$ 1,902,383
Contributions in relation to the contractually required contribution	(1,888,605)	(1,794,850)	(1,902,383)
Contribution deficiency (excess)	$ -	$ -	$ -
Village's covered-employee payroll	$ 8,531,967	$ 8,667,789	$ 8,372,991
Contributions as a percentage of covered-employee payroll	22.1%	20.7%	22.7%

*Information prior to the year ended May 31, 2015 is not available.

VILLAGE OF PORT CHESTER, NEW YORK

Schedule of the Village's Proportionate Share of the Net Pension Liability—
Employees' Retirement System
Last Three Fiscal Years*

	Year Ended May 31,		
	2017	**2016**	**2015**
Measurement date	March 31, 2017	March 31, 2016	March 31, 2015
Village's proportion of the net pension liability	0.0268349%	0.0263904%	0.0256636%
Village's proportionate share of the net pension liability	$ 2,521,464	$ 4,235,732	$ 866,980
Village's covered-employee payroll	$ 7,071,365	$ 6,839,203	$ 6,223,277
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll	35.7%	61.9%	13.9%
Plan fiduciary net position as a percentage of the total pension liability	94.7%	90.7%	97.9%

*Information prior to the year ended May 31, 2015 is not available.

VILLAGE OF PORT CHESTER, NEW YORK
Schedule of the Village's Contributions—
Employees' Retirement System
Last Three Fiscal Years*

	Year Ended May 31,		
	2017	**2016**	**2015**
Contractually required contributions	$ 985,274	$ 1,071,230	$ 1,236,515
Contributions in relation to the contractually required contribution	(985,274)	(1,071,230)	(1,236,515)
Contribution deficiency (excess)	$ -	$ -	$ -
Village's covered-employee payroll	$ 7,298,245	$ 6,713,007	$ 6,395,901
Contributions as a percentage of covered-employee payroll	13.5%	16.0%	19.3%

*Information prior to the year ended May 31, 2015 is not available

VILLAGE OF PORT CHESTER, NEW YORK

Schedule of Revenues, Expenditures, and Changes in Fund Balance—
Budget and Actual—General Fund
Year Ended May 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Real property taxes	$ 22,993,840	$ 22,993,840	$ 22,955,545	$ (38,295)
Real property tax items	915,918	915,918	1,017,392	101,474
Non-property tax items	5,233,000	5,233,000	5,236,719	3,719
Departmental income	4,285,105	4,285,105	4,141,470	(143,635)
Use of money and property	276,150	276,150	285,127	8,977
Licenses and permits	286,597	286,597	279,979	(6,618)
Fines and forfeitures	2,404,000	2,509,681	2,470,005	(39,676)
Miscellaneous	86,100	86,100	408,216	322,116
State aid	857,081	863,281	825,066	(38,215)
Federal aid	145,204	145,204	111,989	(33,215)
Total revenues	37,482,995	37,594,876	37,731,508	136,632
EXPENDITURES				
Current:				
General government support	6,898,532	6,317,452	6,317,450	2
Public safety	11,133,548	11,643,741	11,619,465	24,276
Health	262,044	261,723	261,723	-
Transportation	1,559,967	1,734,800	1,734,800	-
Economic assistance and opportunity	418,492	423,609	423,609	-
Culture and recreation	2,138,693	2,085,939	2,085,939	-
Home and community services	2,376,108	2,409,183	2,409,183	-
Employee benefits	9,931,592	10,528,479	10,528,479	-
Debt service:				
Principal	2,875,000	2,875,000	2,875,000	-
Interest and other fiscal charges	996,810	996,810	996,799	11
Total expenditures	38,590,786	39,276,736	39,252,447	24,289
Excess (deficiency) of revenues over expenditures	(1,107,791)	(1,681,860)	(1,520,939)	160,921
OTHER FINANCING SOURCES (USES)				
Transfers in	1,113,474	1,113,474	1,113,474	-
Transfers out	(176,600)	(176,600)	(166,600)	10,000
Total other financing sources (uses)	936,874	936,874	946,874	10,000
Net change in fund balances*	(170,917)	(744,986)	(574,065)	170,921
Fund balances—beginning	7,649,735	7,649,735	7,649,735	-
Fund balances—ending	$ 7,478,818	$ 6,904,749	$ 7,075,670	$ 170,921

*The net change in fund balances was included in the budget as an appropriation of reserves and re-appropriation of prior year encumbrances.

The note to the required supplementary information is an integral part of this schedule.

1. BUDGETARY INFORMATION

Budgetary Basis of Accounting**—**Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. The Capital Projects Fund is appropriated on a project-length basis. No formal annual budgets are adopted for the Sewer Fund and Debt Service Fund and Special Purpose Fund. Appropriation limits, where applicable, for the Debt Service Fund and Special Purpose Fund are maintained based on debt schedules, individual grants and donations accepted by the Village. The periods of such grants may vary from the Village's fiscal year.

The appropriated budget is prepared by fund, function, and department. The Village Manager may make transfers of appropriations within a fund. Any modifications to appropriations resulting from increases in revenue estimates or supplemental reserve appropriations require a majority vote by the Village Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the functional level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances.

Actual results of operations presented in accordance with GAAP and the Village's accounting policies do not recognize encumbrances and restricted fund balance as expenditures until the period in which the actual goods or services are received and a liability is incurred. Encumbrances are only reported on the balance sheet of the governmental funds included within restricted, committed or assigned fund balance. Significant encumbrances are disclosed in the notes to the financial statements. The General Fund original budget for the year ended May 31, 2017 includes encumbrances from the prior year of $70,917.

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SUPPLEMENTARY INFORMATION

Village of Port Chester, New York
Combining Balance Sheet—Nonmajor Governmental Funds
May 31, 2017

	Sewer	Debt Service	Special Purpose	Total Nonmajor Funds
ASSETS				
Cash and cash equivalents	$ 195,433	$ -	$ -	$ 195,433
Restricted cash and cash equivalents	-	1,219,792	71,876	1,291,668
Receivables	945,314	-	-	945,314
Due from other funds	12,670	2,624	-	15,294
Total assets	$ 1,153,417	$ 1,222,416	$ 71,876	$ 2,447,709
LIABILITIES				
Accounts payable	$ 415	$ -	$ -	$ 415
Due to other funds	1,251	-	-	1,251
Total liabilities	1,666	-	-	1,666
FUND BALANCES				
Restricted	-	1,222,416	71,876	1,294,292
Assigned	1,151,751	-	-	1,151,751
Total fund balances	1,151,751	1,222,416	71,876	2,446,043
Total liabilities and fund balances	$ 1,153,417	$ 1,222,416	$ 71,876	$ 2,447,709

VILLAGE OF PORT CHESTER, NEW YORK

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—
Nonmajor Governmental Funds
Year Ended May 31, 2017

	Sewer	Debt Service	Special Purpose	Total Nonmajor Funds
REVENUES				
Departmental income	$ 1,568,945	$ -	$ -	$ 1,568,945
Use of money and property	500	6,056	-	6,556
Miscellaneous	360	-	472,720	473,080
Total revenues	1,569,805	6,056	472,720	2,048,581
EXPENDITURES				
Current:				
General government support	-	-	480,220	480,220
Home and community services	328,232	-	-	328,232
Total expenditures	328,232	-	480,220	808,452
Excess (deficiency) of revenues over expenditures	1,241,573	6,056	(7,500)	1,240,129
OTHER FINANCING SOURCES (USES)				
Transfers in	-	773	-	773
Transfers out	(883,474)	(230,000)	-	(1,113,474)
Premium on serial bonds	-	824,167	-	824,167
Total other financing sources (uses)	(883,474)	594,940	-	(288,534)
Net change in fund balances	358,099	600,996	(7,500)	951,595
Fund balances—beginning	793,652	621,420	79,376	1,494,448
Fund balances—ending	$ 1,151,751	$ 1,222,416	$ 71,876	$ 2,446,043

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Certified Public Accountants

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_

Honorable Mayor and Village Trustees
Village of Port Chester, New York:

We have audited 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, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Port Chester, New York (the "Village") as of and for the year ended May 31, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated November, 15 2017.

Internal Control Over Financial Reporting

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

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

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

Drescher & Malecki LLP

November 15, 2017

No findings were noted.

FINANCIAL STATEMENT FINDINGS SECTION

We consider the deficiencies presented below to be significant deficiencies in internal control.

Finding 2016-001—Capital Projects Deficit

Criteria: Appropriate maintenance and review of individual capital projects and fund balances is necessary to produce a reliable and accurate presentation of the Village's financial condition relating to its Capital Projects Fund.

Condition and Context: As in prior years, the Village had capital projects that were in a deficit position. Additionally, there were projects that appeared inactive and had old outstanding purchase orders.

Effect or Potential Effect: The Village is at risk of inappropriately funding deficit capital projects. Additionally, the existence of inactive projects increases the risk of misstatement of the financial statements and the potential misappropriation of assets.

Cause: Capital projects in prior years were not closely monitored and maintained by the Village.

Recommendation: It is recommended that during its review procedures the Village appropriately close out inactive or completed projects.

View of Responsible Officials and Corrective Action Plan: The Village of Port Chester is continuing to review its active and inactive capital projects to ensure that projects are being monitored, maintained and closed out on a timely basis.

Current Status: During the fiscal year ended May 31, 2017, the Capital Projects Fund total fund balance deficit was eliminated through the issuance of long-term debt. Furthermore, the Village has reduced the number of inactive capital projects during the fiscal year ended May 31, 2017. The Village is nearing conclusion on various outstanding capital projects and anticipates further reduction through ongoing monitoring procedures.

Finding 2016-002—Compensated Absences Accrual

Criteria: Adjustments to the compensated absence liability balance should be accurately calculated based upon the requirements set forth within each applicable union contract.

Condition and Context: The Village's compensated absences year end adjustment was found to be incorrectly calculated and applied. Only appointed/non-union employees may carry over unused vacation time from one year to the next. However, the various union agreements state that with the Village Manager's approval employees may carry over 5 days of unused vacation time that must be used within 60 days of the following fiscal year. Non-union/appointed employees may carry over up to 10 days of unused vacation time each fiscal year for a total not to exceed 45 total days unless prior approval is given by the Village Manager. It was observed that an estimated 84 employees had vacation accruals in excess of their approved carry over per the applicable union contract. Additionally, the Village does not ensure that accrued vacation time is used within 60 days of the following fiscal year. The total known and likely errors were $239,936 and $180,894 respectively.

Effect or Potential Effect: The Village is at risk of potentially misstating the compensated absences liability, in addition to overpayment of employee benefits.

Cause: There is a lack of review of excess vacation limits and enforcement of union/non-union contracts and agreements.

Recommendation: We recommend a review of the vacation accrual at year-end be performed by an employee independent of the payroll function. It is recommended that the Village review the union contracts and agreements to determine the proper balance of the compensated absences liability. Additionally, department heads should track the status of unused vacation time that is carried forward to ensure that it is used within 60 days of the subsequent fiscal year.

View of Responsible Officials and Corrective Action Plan: Subsequent to the year ended May 31, 2016, the vacation policy within Article XIV of the Village's negotiated contact with its employees was amended. Employees with vacation balances in excess of the amount allowable in any given year will be permitted to sell back up to ten days annually for the purpose of reducing their excess vacation days. In addition such employees will be required to use ten days of excess annual leave as well as the current year's entitlement each year until they come into compliance with the requirement to use vacations days within the fiscal year they were granted. The Village will not hinder such employees from complying with this process. The terms set forth in this paragraph will sunset when all employees have used their annual vacation days within the fiscal year and have no excess days remaining.

Current Status: During the year ended May 31, 2017, the Village reviewed the matter with Labor Counsel and rectified the inconsistencies noted in the prior year with an amendment to the Village's negotiated contract with its employees.

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