

VILLAGE OF BRIARCLIFF MANOR, NEW YORK

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED MAY 31, 2006

WITH INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Board of Trustees
of the Village of Briarcliff Manor, New York:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Village of Briarcliff Manor, New York as of and for the year ended May 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we express no opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Village of Briarcliff Manor, New York as of May 31, 2006 and the respective changes in financial position, thereof, and the respective budgetary comparison for the General and Water funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Briarcliff Manor, New York's basic financial statements. The accompanying financial information listed as combining and individual fund financial statements and schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Village of Briarcliff Manor, New York. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**The Government Services Division of
O'Connor Davies Munns & Dobbins, LLP**
July 14, 2006

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Note 1 - Summary of Significant Accounting Policies

The Village of Briarcliff Manor, New York was incorporated pursuant to an act of the New York State Legislature in December 1902 and operates in accordance with Village Law and the various other applicable laws of the State of New York. The Village Board of Trustees is the legislative body responsible for overall operation. The Village Manager serves as the chief executive officer and the Village Treasurer serves as the chief financial officer. The Village provides the following services to its residents: public safety, health, transportation, culture and recreation, home and community services and general and administrative support.

The accounting policies of the Village of Briarcliff Manor, New York conform to generally accepted accounting principles as applicable to governmental units and the Uniform System of Accounts as prescribed by the State of New York. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Village's more significant accounting policies:

A. Financial Reporting Entity

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

In evaluating how to define the Village, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the Village's reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. Based upon the application of these criteria, there are no other entities which would be included in the financial statements.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) report information on all non-fiduciary activities of the primary government as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used.

The Statement of Net Assets presents the financial position of the Village at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The Village does not allocate indirect expenses to functions in the Statement of Activities.

Note 1 - Summary of Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Fund Financial Statements

The accounts of the Village are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, liabilities, fund balances, revenues and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The Village maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. Fiduciary funds are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the statements or page following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation. The Village's resources are reflected in the fund financial statements in two broad fund categories, in accordance with generally accepted accounting principles as follows:

Fund Categories

- a. Governmental Funds - Governmental Funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the Village's major governmental funds.

General Fund - The General Fund constitutes the primary operating fund of the Village in that it includes all revenues and expenditures not required by law to be accounted for in other funds.

Special Revenue Funds - Special revenue funds are established to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain defined purposes. The major special revenue fund of the Village is as follows:

Water Fund - The Water Fund is used to record the water utility operations of the Village, which renders services on a user charge basis to the general public.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Note 1 - Summary of Significant Accounting Policies (Continued)

The Village also reports the following non-major governmental funds.

Special Revenue Funds:

Public Library Fund - The Public Library Fund is used to account for the activities of the Village's Public Library.

Special Purpose Fund - The Special Purpose Fund is used to account for assets held by the Village in accordance with the terms of a trust agreement.

Debt Service Fund - The Debt Service Fund is provided to account for the accumulation of resources to be used for the redemption of principal and interest on long-term debt.

- b. Fiduciary Funds (Not Included in Government-wide Statements) - Fiduciary Funds are used to account for assets held by the Village in agency capacity on behalf of others. These include Pension Trust and Agency funds. The Agency Fund is also used to account for employee payroll tax withholdings that are payable to other jurisdictions. The Pension Trust Fund is utilized to discount for the Village's Fire Service Awards program.

D. Measurement Focus, Basis of Accounting and Financial Presentation

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 (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial reports.

The government-wide financial statements and the pension trust fund are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus and utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. Property taxes are considered to be available if collected within sixty days of the fiscal year end. A ninety day availability period is used for revenue recognition for all other governmental fund revenues. Property taxes associated with the current fiscal period as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 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.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Liabilities and Net Assets or Fund Balances

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

The Village's investment policies are governed by State statutes. The Village has adopted its own written investment policy, which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The Village is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

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. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

The Village utilizes a pooled investment concept for certain governmental funds to facilitate its investment program. Investment income from this pooling is allocated to the respective funds based upon the sources of funds invested.

Investments - Investments of the Pension Trust Fund are funds that are held on deposit with an insurance company. The funds are invested along with the company's other assets in a variety of instruments. These investments are not subject to risk categorization. All investments are stated at fair value.

Taxes Receivable - Real property taxes attach as an enforceable lien on real property as of June 1st and are levied and payable in two installments due in June and December. The Village has the responsibility for the billing and collection of its own taxes.

Other Receivables - Other receivables include amounts due from other governments and individuals for services provided by the Village. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred. Allowances are recorded when appropriate.

Due From/To Other Funds - During the course of its operations, the Village has numerous transactions between funds to finance operations, provide services and construct assets. To the

Note 1 - Summary of Significant Accounting Policies (Continued)

extent that certain transactions between funds had not been paid or received as of May 31, 2006, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Inventories - There are no inventory values presented in the balance sheets of the respective funds of the Village. Purchases of inventoriable items at various locations are recorded as expenditures at the time of purchase and year-end balances at these locations are not material.

Prepaid Expenses/Expenditures - Prepaid expenditures/expenses consist of insurance and other costs which have been satisfied prior to the end of the fiscal year, but represent items which have been provided for in the subsequent year's budget and will benefit such periods. Reported amounts in governmental funds are equally offset by a reservation of fund balance, in the fund financial statements, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

Capital Assets - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the governmental activities column 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 an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the Village chose to include all such items regardless of their acquisition date or amount. The Village was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year).

Land and construction-in-progress are not depreciated. Property, plant, equipment and infrastructure of the Village are depreciated using the straight line method over the following estimated useful lives.

Note 1 - Summary of Significant Accounting Policies (Continued)

<u>Class</u>	<u>Life in Years</u>
Buildings and improvements	10-40
Infrastructure	40
Machinery and equipment	5

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures on the governmental fund financial statements. Capital assets are not shown on the governmental fund balance sheet.

Unearned/Deferred Revenues - Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In government-wide financial statements, unearned revenues consist of revenue received in advance or revenue from grants received before the eligibility requirements have been met.

Deferred revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The Village has reported deferred revenues of \$428,554 for pool, tennis and other recreation fees received in advance, \$39,742 for fire protection services received in advance and \$9,532 for a grant received in advance in the General Fund. These amounts have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

Compensated Absences - The various collective bargaining agreements provide for the payment of accumulated vacation and sick leave upon separation of service. The liability for such accumulated leave is reflected in the government-wide Statement of Net Assets as current and long-term liabilities. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement. The liability for compensated absences includes salary related payments, where applicable.

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 Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as Capital Projects Fund expenditures.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets on the Statement of

Note 1 - Summary of Significant Accounting Policies (Continued)

Net Assets include, invested in capital assets, net of related debt, restricted for capital projects, debt service and special revenue funds. The balance is classified as unrestricted.

Fund Balances - Reserves and Designations - Portions of fund balance are segregated for future use and are, therefore, not available for future appropriation or expenditure. Amounts reserved for debt service, trusts, prepaid expenditures, and encumbrances represent portions of fund balance which are required to be segregated in accordance with State law or generally accepted accounting principles. Designation of unreserved fund balances in governmental funds indicates the utilization of these resources in the ensuing year's budget or tentative plans for future use.

F. Encumbrances

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General, certain Special Revenue and Capital Projects funds. Encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

G. Use of Estimates

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

Note 2 - Stewardship, Compliance and Accountability

A. Budgetary Data

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

- a) On or before March 20th, the budget officer submits to the Board of Trustees a tentative operating budget for the fiscal year commencing the following June 1st. The tentative budget includes the proposed expenditures and the means of financing.
- b) The Board of Trustees, on or before March 31st, meets to discuss and review the tentative budget.
- c) The Board of Trustees conducts a public hearing on the tentative budget to obtain taxpayer comments on or before April 15th.
- d) After the public hearing and on or before May 1st, the Trustees meet to consider and adopt the budget.

Note 2 - Stewardship, Compliance and Accountability (Continued)

- e) Formal budgetary integration is employed during the year as a management control device for General, Water, Public Library and Debt Service funds.
- f) Budgets for General, Water, Public Library and Debt Service funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. Annual budgets are not adopted by the Board for the Special Purpose of Fiduciary funds.
- g) The Village Board has established legal control of the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval by the Board of Trustees. Any modifications to appropriations resulting from increases in revenue estimates or supplemental reserve appropriations also require a majority vote by the Board.
- h) Appropriations in General, Water, Public Library and Debt Service funds lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

Budgeted amounts are as originally adopted, or as amended by the Board of Trustees. Individual amendments for the current year were not material in relation to the original appropriations which were amended.

B. Capital Projects Fund Deficits

The deficit in the Capital Projects Fund of \$3,839,877 arises in-part because of the application of generally accepted accounting principles to the financial reporting of such funds. The proceeds of bond anticipation notes issued to finance construction of capital projects are not recognized as an "other financing source". Liabilities for bond anticipation notes payable are accounted for in the Capital Projects Fund. Bond anticipation notes are recognized as revenue only to the extent that they are redeemed. The deficit will be reduced and eliminated as the bond anticipation notes are redeemed from interfund transfers from other governmental funds or converted to permanent financing. Other deficits, where no bond anticipation notes were issued or outstanding to the extent of the project deficit, arise because of expenditures exceeding current financing on the projects. These deficits will be eliminated with the subsequent receipt or issuance of authorized financing.

C. Expenditures in Excess of Budget

The following capital project exceeded its' budgetary authorization by the amount indicated:

Scarborough Road Storm Sewer Emergency Repairs	\$ 29,053
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Note 2 - Stewardship, Compliance and Accountability (Continued)

D. Property Tax Limitation

The Village is permitted by the Constitution of the State of New York to levy taxes up to 2% of the five year average full valuation of taxable real estate located within the Village, exclusive of the amount raised for the payment of interest on and redemption of long-term debt. In accordance with this definition, the maximum amount of the levy for the 2005-06 fiscal year was \$28,675,633, which exceeded the actual levy by \$19,782,690.

E. Prior Period Adjustment

The Village, during the 2005-06 fiscal year, determined that certain capital assets had not been capitalized and reported in the previous year's financial statements. These items represented construction in progress. The net assets have been affected as a result of this correction. An increase to the net assets of June 1, 2005 of \$128,584 was required.

Note 3 - Detailed Notes on All Funds

A. Taxes Receivable

Taxes receivable at May 31, 2006 consisted of the following:

Tax Liens	<u>\$ 21,154</u>
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B. Due From/To Other Funds

The balances reflected as due from/to other funds at May 31, 2006 were as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General	\$ 147,670	\$ 65
Water	1,967	127,954
Capital Projects	4,127	566,117
Non-major governmental	<u>549,950</u>	<u>9,578</u>
	<u>\$ 703,714</u>	<u>\$ 703,714</u>

The outstanding balances between funds results mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments between funds are made.

VILLAGE OF BRIARCLIFF MANOR, NEW YORK

NOTES TO FINANCIAL STATEMENTS (Continued)
MAY 31, 2006

Note 3 - Detailed Notes on All Funds (Continued)

C. Capital Assets

Changes in the Village's capital assets are as follows:

	Balance June 1, 2005, as Reported	Prior Period Adjustment	Balance June 1, 2005, as Restated	Additions	Deletions	Balance May 31, 2006
Capital assets, not being depreciated:						
Land	\$ 855,947	\$ -	\$ 855,947	\$ -	\$ -	\$ 855,947
Construction-in-progress	581,405	128,584	709,989	1,693,260	377,806	2,781,055
Total Capital Assets, not being depreciated	\$ 1,437,352	\$ 128,584	\$ 1,565,936	\$ 1,693,260	\$ 377,806	\$ 3,637,002
Capital assets, being depreciated:						
Buildings and improvements	\$ 6,171,507	\$ -	\$ 6,171,507	\$ -	\$ -	\$ 6,171,507
Infrastructure	22,599,287	-	22,599,287	1,173,910	-	23,773,197
Machinery and equipment	5,023,838	-	5,023,838	602,614	-	5,626,452
Total Capital Assets being depreciated	33,794,632	-	33,794,632	1,776,524	-	35,571,156
Less Accumulated Depreciation for:						
Buildings and improvements	2,022,556	-	2,022,556	187,609	-	2,210,165
Infrastructure	7,714,106	-	7,714,106	142,165	-	7,856,271
Machinery and equipment	3,182,916	-	3,182,916	503,839	-	3,686,755
Total Accumulated Depreciation	12,919,578	-	12,919,578	833,613	-	13,753,191
Total Capital Assets, being Depreciated, net	\$ 20,875,054	\$ -	\$ 20,875,054	\$ 942,911	\$ -	\$ 21,817,965
Governmental Activities Capital Assets, net	\$ 22,312,406	\$ 128,584	\$ 22,440,990	\$ 2,636,171	\$ 377,806	\$ 25,454,967

Depreciation expense was charged to the Village's functions and programs as follows:

Governmental Activities:	
General Government Support	\$ 21,799
Public Safety	260,099
Transportation	207,334
Health	14,693
Culture and Recreation	124,063
Home and Community Services	205,625
Total Depreciation Expense	\$ 833,613

Note 3 - Detailed Notes on All Funds (Continued)

Construction Commitments

The Village has active construction projects as of May 31, 2006. These projects include new construction and renovations. At year end, the Village had \$515,175 in construction encumbrances.

D. Accrued Liabilities

Accrued liabilities at May 31, 2006 were as follows:

	Fund		Total Governmental
	General	Water	
Payroll and Employee Benefits	\$ 81,742	\$ 45	\$ 81,787
Other	10,136	36,648	46,784
	\$ 91,878	\$ 36,693	\$ 128,571

E. Pension Plans

The Village of Briarcliff Manor, New York participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS) (Systems). These Systems are cost-sharing multiple-employer defined benefit pension plans. The Systems provide retirement, disability and death benefits to plan members. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. That report may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, New York 12224.

Funding Policy - The Systems are non-contributory except for employees who joined ERS after July 27, 1976 and have less than ten years of service, who contribute 3% of their salary. Contributions are certified by the State Comptroller and expressed as a percentage of members' salary. Contribution rates are actuarially determined and based upon membership tier and plan. Contributions consist of a life insurance portion (GTLI) and regular pension contributions. Contribution rates for the plans' year ended March 31, 2006 are as follows:

Note 3 - Detailed Notes on All Funds (Continued)

	<u>Tier/Plan</u>	<u>Rate</u>
ERS	1 75I	15.1 %
	3 A14	10.3
	4 A15	10.3
PFRS	2 384D/375I	14.2

Contributions made to the Systems for the current and two preceding years were as follows:

	<u>ERS</u>	<u>PFRS</u>
2006	\$ 382,173	\$ 220,364
2005	477,564	265,107
2004	171,450	76,062

These contributions were equal to 100% of the actuarially required contributions for each respective fiscal year.

The current ERS contribution for the Village was charged to the funds identified below. The PFRS contribution was charged to the General Fund.

<u>Fund</u>	<u>Amount</u>
General	\$ 287,907
Water	71,254
Public Library	<u>23,012</u>
	<u>\$ 382,173</u>

Pension Trust - Service Awards Program

The Village, pursuant to Article 11-A of General Municipal Law and legislative resolution, has established a Service Awards Program (Program) for volunteer firefighters. This Program is a single employer defined contribution plan. Active volunteer firefighters, upon attainment of age 18, and upon earning 50 or more points, in a calendar year after 1990, under the provisions of the Program point system, are eligible to become participants in the Program. Participants are fully vested upon attainment of entitlement age, upon death or general disablement and after earning five years of service credit. A participant upon attainment of entitlement age (the later of age 65 or the participant's age after earning 50 program points) shall be able to receive their service award. The maximum annual contribution is \$480 per individual for each year of service. The Program also provides disability and death benefits. Contributions are not required by participants. The Trustees of the Program, which are the members of the Village's Board, are authorized to invest the funds in authorized investment vehicles.

The Village's obligation to continue funding is governed by New York State Law and Program provisions. The Village's contribution for the calendar year was \$36,469. This amount was charged to General Fund expenditures.

F. Short-Term Non-Capital Borrowings

VILLAGE OF BRIARCLIFF MANOR, NEW YORK

NOTES TO FINANCIAL STATEMENTS (Continued)
 MAY 31, 2006

Note 3 - Detailed Notes on All Funds (Continued)

The schedule below details the changes in short-term non-capital borrowings.

Purpose	Issue Date	Maturity Date	Interest Rate	Balance June 1, 2005	New Issues	Redemptions	Balance at May 31, 2006
Judgments and Claims	5/17/04	10/06/06	4.25%	\$ 275,000	\$ -	\$ 60,000	\$ 215,000

Interest expenditure/expense of \$2,577 was recorded in the fund financial statements and the government-wide financial statements.

G. Short-Term Capital Borrowings

The schedule below details the changes in short-term capital borrowings.

Purpose	Issue Date	Maturity Date	Interest Rate	Balance June 1, 2005	New Issues	Redemptions	Balance May 31, 2006
Salt Shed Phase II	03/18/05	10/06/06	4.25%	\$ 135,700	\$ -	\$ -	\$ 135,700
Salt Shed Phase II	10/08/04	10/06/06	4.25%	40,000	-	2,000	38,000
Oil Tank Replacement	5/17/04	10/06/06	4.25%	62,000	-	4,000	58,000
Pocantino River Flood Control Design	10/08/04	10/06/06	4.25%	75,000	-	12,000	63,000
Streetscape - Pleasantville Road CBD	10/08/04	10/06/06	4.25%	200,000	-	32,000	168,000
Scarborough PO Sewage Ejector	10/08/04	10/06/06	4.25%	50,000	-	-	50,000
Generator - DPW Building	10/08/04	10/06/06	4.25%	27,300	-	-	27,300
Circular Panel in Boiler - DPW Building	10/08/04	10/06/06	4.25%	17,000	-	-	17,000
Signage Project - Wayfaring Signs	10/08/04	10/06/06	4.25%	35,000	-	3,000	32,000
Fire Truck - Ladder 40	10/08/04	10/06/06	4.25%	755,143	-	30,143	725,000
Turnout Gear - Fire Department - 2005	10/08/04	10/06/06	4.25%	52,500	-	8,500	44,000
Automobile - Buildings Department - 2005	10/08/04	10/06/06	4.25%	18,500	-	2,000	16,500
Automobile - Public Works - 2005	10/08/04	10/06/06	4.25%	17,591	-	2,000	15,591
Dump Truck (T-6)	10/08/04	10/06/06	4.25%	95,000	-	-	95,000
Dump Truck (P-3)	10/08/04	10/06/06	4.25%	34,409	-	-	34,409
Intersection Improvements - South State and Pleasantville Roads	03/18/05	10/06/06	4.25%	185,000	-	-	185,000
Road Paving - 2005	10/08/04	10/06/06	4.25%	170,000	-	-	170,000
Chilmark Park Improvements - Professional Services	10/08/04	10/06/06	4.25%	40,000	-	-	40,000
Jackson Road Park - Playground and Site Improvements	10/08/04	10/06/06	4.25%	30,000	-	-	30,000
Scarborough Park Improvements	10/08/04	10/06/06	4.25%	25,000	-	-	25,000
Recreation Building - Electrical Upgrade	10/08/04	10/06/06	4.25%	25,000	-	-	25,000

VILLAGE OF BRIARCLIFF MANOR, NEW YORK

NOTES TO FINANCIAL STATEMENTS (Continued)

MAY 31, 2006

Note 3 - Detailed Notes on All Funds (Continued)

Purpose	Issue Date	Maturity Date	Interest Rate	Balance June 1, 2005	New Issues	Redemptions	Balance May 31, 2006
Proposed Library Plans and Specifications	10/08/04	10/06/06	4.25%	\$ 227,400	\$ -	\$ 9,400	\$ 218,000
Land Acquisition - Holly Place Sewer Pump Station	10/08/04	10/06/06	4.25%	50,000	-	2,000	48,000
Cottonwood Lane Sewer Pump Station Equipment	10/08/04	10/06/06	4.25%	350,000	-	-	350,000
Scarborough Road Storm Sewer Emergency Repairs	03/18/05	10/06/06	4.25%	462,050	-	-	462,050
Holbrook Road Sanitary Sewer Emergency Repairs	03/18/05	10/06/06	4.25%	27,750	-	-	27,750
Holbrook Pump House Land Easements Sanitation Truck (S-1)	10/08/04	10/06/06	4.25%	50,000	-	8,000	42,000
Sanitation Truck (S-1)	10/08/04	10/06/06	4.25%	117,000	-	-	117,000
Sidewalk Replacement - School Road to Route 9A	10/08/04	10/06/06	4.25%	59,000	-	-	59,000
Sidewalk Replacement - School Road to Route 9A	03/18/05	10/06/06	4.25%	28,150	-	-	28,150
Public Safety Building - Village Hall	11/10/05	10/06/06	3.35%	-	588,349	-	588,349
Todd Lane Bridge Construction	11/10/05	10/06/06	3.35%	-	600,000	-	600,000
Building Permit Tracking System Software	11/10/05	10/06/06	3.35%	-	20,000	-	20,000
Village-wide Engineering	11/10/05	10/06/06	3.35%	-	20,000	-	20,000
Expansion of Municipal Parking Lot - Pleasantville Road	11/10/05	10/06/06	3.35%	-	10,000	-	10,000
Old Briarcliff Road to Erani VT - Sewer Replacement	03/07/06	10/06/06	3.53%	-	50,000	-	50,000
Dalmeny Road Drainage	11/10/05	10/06/06	3.35%	-	35,000	-	35,000
Aspinwall and Sleepy Hollow Rd Drainage	03/07/06	10/06/06	3.53%	-	210,000	-	210,000
Marked Police Car #14	11/10/05	10/06/06	3.35%	-	25,000	-	25,000
Turnout Gear - Fire Department - 2006	11/10/05	10/06/06	3.35%	-	44,100	-	44,100
Automobile - Fire Department - 2006	11/10/05	10/06/06	3.35%	-	36,000	-	36,000
Radio Purchase - Fire and Ambulance	11/10/05	10/06/06	3.35%	-	36,500	-	36,500
10 Wheel Dump Truck - Phase II	11/10/05	10/06/06	3.35%	-	22,000	-	22,000
Ford 555 Backhoe (TR-2)	11/10/05	10/06/06	3.35%	-	58,450	-	58,450
Leaf Vacuum Dinkmar	11/10/05	10/06/06	3.35%	-	22,315	-	22,315
Road Paving - 2006	11/10/05	10/06/06	3.35%	-	105,000	-	105,000
McCrum Field - Erosion Stabilization and Fencing	11/10/05	10/06/06	3.35%	-	15,000	-	15,000
Design and Creation of Trails in Various Village Parks	11/10/05	10/06/06	3.35%	-	15,000	-	15,000
Elgin Street Sweeper	11/10/05	10/06/06	3.35%	-	138,125	-	138,125
25 Yard Packer (S-21)	11/10/05	10/06/06	3.35%	-	30,000	-	30,000
Ford Satellite Packer	11/10/05	10/06/06	3.35%	-	61,625	-	61,625
Sewer Rodder	11/10/05	10/06/06	3.35%	-	47,800	-	47,800
Scarborough Park - Engineering and Design	03/07/06	10/06/06	3.53%	-	55,600	-	55,600
Cleaning/Cement Lining of Water Lines	11/10/05	10/06/06	3.35%	-	780,000	-	780,000
Cleaning/Cement Lining of Water Lines	03/18/05	10/06/06	4.25%	418,200	-	-	418,200
Round Hill Water Pump Replacement	10/08/04	10/06/06	4.25%	40,000	-	-	40,000
Generator - DPW Building	10/08/04	10/06/06	4.25%	14,700	-	-	14,700
DPW Engineering and Design	03/07/06	10/06/06	3.53%	-	40,000	-	40,000
Washburn Road Water Main Repair	03/07/06	10/06/06	3.53%	-	475,000	-	475,000
Interconnection With Sleepy Hollow	11/10/05	10/06/06	3.35%	-	250,000	-	250,000
Sleepy Hollow Road Water Pipe Installation	11/10/05	10/06/06	3.35%	-	200,000	-	200,000
				<u>\$ 3,934,393</u>	<u>\$ 3,990,864</u>	<u>\$ 115,043</u>	<u>\$ 7,810,214</u>

Note 3 - Detailed Notes on All Funds (Continued)

Liabilities for bond anticipation notes are generally accounted for in the Capital Projects Fund. Bond anticipation notes issued for judgments or settled claims are recorded in the fund paying the claim. Principal payments on bond anticipation notes must be made annually. State law requires that bond anticipation notes issued for capital purposes or judgments be converted to long-term obligations generally within five years after the original issue date. However, bond anticipation notes issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

Interest expenditures of \$67,177 were recorded in the fund financial statements in the following funds:

General	\$ 60,390
Water	<u>6,787</u>
	<u>\$ 67,177</u>

Interest expense of \$194,081 was recorded in the government-wide financial statements.

H. Long-Term Liabilities

The following table summarizes changes in the Village's long-term indebtedness for the year ended May 31, 2006:

	Balance June 1, 2005	New Issues/ Additions	Maturities and/or Payments	Balance May 31, 2006	Due Within One Year
Bonds Payable:					
General Fund	\$ 7,035,068	\$ -	\$ 515,864	\$ 6,519,204	\$ 518,068
Water Fund	<u>6,224,932</u>	<u>-</u>	<u>569,136</u>	<u>5,655,796</u>	<u>551,932</u>
	13,260,000	-	1,085,000	12,175,000	1,070,000
Other Non-Current Liabilities - Compensated Absences	<u>560,408</u>	<u>13,653</u>	<u>56,040</u>	<u>518,021</u>	<u>51,802</u>
Total Long-Term Liabilities	<u>\$ 13,820,408</u>	<u>\$ 13,653</u>	<u>\$ 1,141,040</u>	<u>\$ 12,693,021</u>	<u>\$ 1,121,802</u>

Each governmental fund's liability for compensated absences is liquidated by the respective fund. The Village's indebtedness for bonds is liquidated by the Debt Service Fund, which is funded by the General and Water Funds.

Note 3 - Detailed Notes on All Funds (Continued)

Bonds Payable

Bonds payable at May 31, 2006 are comprised of the following individual issues:

\$4,000,000 - 1987 bonds for water improvements, due in annual installments of \$160,000 in September 2006 and \$175,000 through September 2013; interest at 6%	\$ 1,385,000
\$4,101,000 - 1996 bonds for various public improvements, due in annual installments \$225,000 through October 2014 and \$215,000 in October 2015; interest at rates ranging from 5.10% to 5.25%, depending on maturity	2,240,000
\$4,798,000 - 2002 bonds for various public improvements, due in annual installments of \$210,000 in March 2007, \$225,000 through March 2009, \$250,000 through March 2011, \$270,000 in March 2012, \$275,000 in March 2013, \$295,000 in March 2014, \$300,000 in March 2015, \$320,000 in March 2016, \$325,000 in March 2017, \$350,000 in March 2018, \$365,000 in March 2019 and \$375,000 in March 2020; interest at rates ranging from 3.75% to 5%, depending on maturity	4,035,000
\$5,445,880 - 2004 bonds for various public improvements, due in annual installments of \$475,000 through November 2008, \$250,000 through November 2010, \$255,000 through November 2012, \$260,000 in November 2013, \$205,000 in November 2014, \$200,000 through November 2017, \$175,000 in November 2018 and \$140,000 through November 2024; interest at rates ranging from 2.00% to 4.25%, depending on maturity	<u>4,515,000</u>
	<u>\$ 12,175,000</u>

Interest expenditures of \$548,889 were recorded in the fund financial statements. Interest expense of \$559,346 was recorded in the government-wide financial statements.

Note 3 - Detailed Notes on All Funds (Continued)

Payments to Maturity

The annual requirements to amortize all outstanding bonded debt as of May 31, 2006, including interest payments of \$3,577,589 are as follows:

Year Ended May 31,	Principal	Interest	Total
2007	\$ 1,070,000	\$ 499,692	\$ 1,569,692
2008	1,100,000	454,777	1,554,777
2009	1,100,000	413,514	1,513,514
2010	900,000	375,314	1,275,314
2011	900,000	337,177	1,237,177
2012-2016	4,275,000	1,095,595	5,370,595
2017-2021	2,270,000	359,520	2,629,520
2022-2025	560,000	42,000	602,000
	<u>\$ 12,175,000</u>	<u>\$ 3,577,589</u>	<u>\$ 15,752,589</u>

The above general obligation bonds are direct obligations of the Village for which its full faith and credit are pledged and are payable from taxes levied on all taxable real property within the Village.

Compensated Absences

Pursuant to collective bargaining agreements, the Village is required to pay employees their accumulated vacation and compensatory time. Upon termination of employment, any unused vacation and compensatory time shall be paid to the employee at the current rate of pay. Police Department employees hired on or before May 31, 1997 are paid upon retirement for accumulated sick leave at the rate of 2 days for every 3 days, up to a maximum of 195 days. Employees hired after June 1, 1997 are paid upon retirement for accumulated sick leave at the rate of one day for every 2 days up to a maximum of 195 days. The value of the compensated absences has been reflected in the government-wide financial statements.

I. Revenues and Expenditures

Interfund Transfers

Interfund transfers are defined as the flow of assets, such as cash or goods and services, without the equivalent flow of assets in return. The interfund transfers reflected below have been reflected as transfers.

Note 3 - Detailed Notes on All Funds (Continued)

Transfers Out	Transfers in					Total
	General	Water	Capital Projects	Debt Service	Non-major Governmental	
General	\$ -	\$ -	\$ 115,043	\$ 797,487	\$ 525,555	\$ 1,438,085
Water	-	-	-	836,402	-	836,402
Non-major Governmental	109,824	190,299	-	-	-	300,123
	<u>\$ 109,824</u>	<u>\$ 190,299</u>	<u>\$ 115,043</u>	<u>\$ 1,633,889</u>	<u>\$ 525,555</u>	<u>\$ 2,574,610</u>

Transfers are used to 1) move funds earmarked in the operating funds to fulfill commitments for Capital Projects Fund expenditures, 2) move funds from the operating funds to the Debt Service Fund as debt service principal and interest payments become due and 3) move amounts earmarked in the operating funds to fulfill commitments of the General and Water funds.

J. Post-Employment Health Care Benefits

In addition to providing pension benefits, the Village provides certain health care benefits for 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. Substantially all of the Village's employees may become eligible for those benefits if they reach normal retirement age while working for the Village. The cost of retiree health care benefits is recognized as an expenditure/expense as claims are paid. During the year, \$466,330 was paid on behalf of 55 retirees and this amount has been recorded as an expenditure/expense in the various funds.

K. Net Assets

The components of net assets are detailed below:

Invested in Capital Assets, net of Related Debt - the component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended bond proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted for Capital Projects - the component of net assets that reports the amounts restricted for capital projects, exclusive of unexpended bond proceeds and unrestricted interest earnings.

Restricted for Debt Service - the component of net assets that reports the difference between assets and liabilities with constraints placed on their use by Local Finance Law.

Restricted for Special Revenue Funds - the component of net assets that represents funds restricted for specific purposes under New York State law or by external parties and/or statutes.

Note 3 - Detailed Notes on All Funds (Continued)

Unrestricted - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

L. Fund Balances

The reserved and unreserved elements of fund balance are described below:

Reserved

The Reserve for Debt Service represents a segregation of the fund balance for debt service in accordance with the provisions of the Local Finance Law of the State of New York.

The Reserve for Trusts has been established to set aside funds in accordance with terms of the grants.

The Reserve for Prepaid Expenditures has been established to account for payments made in advance. This reserve indicates that the funds are not "available" for appropriation or expenditure even though they are a component of current assets.

Encumbrances outstanding have been reserved as it is the Village's intention to honor the contracts in process at year-end. The subsequent year's appropriations will be amended to provide authority to complete the transaction.

Unreserved - Designated for Subsequent Year's Expenditures

General, Public Library and Debt Service Funds - Designations of fund balance are not legally required segregations, but represent intended use for a specific purpose. At May 31, 2006, the Village Board has designated that \$367,000 of the fund balance of the General Fund and \$37,752 of the fund balance of the Public Library Fund be appropriated for the ensuing year's budget. However, the amount designated in the Public Library Fund exceeded the available fund balance by \$9,144.

Note 4 - Summary Disclosure of Significant Contingencies

A. Litigation

There are currently pending tax certiorari proceedings, the results of which could require the payment of future tax refunds by the Village if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of these possible refunds cannot be determined at the present time. Any payments resulting from adverse decisions will be funded in the year the payment is made.

The Village, in common with other municipalities, receives numerous notices of claims for money damages arising generally from false arrest, malicious prosecution, false imprisonment or personal injury. Of the claims currently pending, none are expected to have a material effect on the financial position of the Village, if adversely settled.

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

Contingencies

The Village participates in various Federal grant programs. These programs may be subject to program compliance audits pursuant to the Single Audit Act. Accordingly, the Village's compliance with applicable grant requirements will be established at a future date. The amount of expenditures, which may be disallowed by the granting agencies cannot be determined at this time, although the Village anticipates such amounts, if any, to be immaterial.

Risk Management

The Village purchases various insurance coverages to reduce its exposure to loss. The Village maintains a general liability policy with coverage up to \$1 million. The Village also maintains a public officials liability policy with coverage up to \$1 million, a law enforcement liability policy with coverage up to \$1 million and an excess liability policy with coverage up to \$10 million. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Village purchases conventional medical and workers' compensation coverage.

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