

INCORPORATED VILLAGE OF MASTIC BEACH
BALANCE SHEET - GOVERNMENTAL FUNDS
MAY 31, 2014

	Major Funds			
	General Fund	Capital Fund	Special Revenue	Total Governmental Funds
			Robin Hood Relief Fund	
ASSETS				
Cash:				
Unrestricted	\$ 686,921	\$ -	\$ -	\$ 686,921
Restricted	-	122,559	5,106	127,665
Receivables:				
Accounts receivable	41,580	-	-	41,580
Taxes	131,056	-	-	131,056
State and federal aid	283,510	-	-	283,510
Prepaid expenditures	41,890	-	-	41,890
Due from fiduciary funds	81	-	-	81
Total assets	<u>\$ 1,185,038</u>	<u>\$ 122,559</u>	<u>\$ 5,106</u>	<u>\$ 1,312,703</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 311,093	\$ 20,800	\$ 5,000	\$ 336,893
Total liabilities	<u>311,093</u>	<u>20,800</u>	<u>5,000</u>	<u>336,893</u>
DEFERRED INFLOWS				
Funds received in advance for community relief	-	-	106	106
Total deferred inflows	<u>-</u>	<u>-</u>	<u>106</u>	<u>106</u>
Total liabilities and deferred inflows	<u>311,093</u>	<u>20,800</u>	<u>5,106</u>	<u>336,999</u>
FUND BALANCE				
Fund balance:				
Nonspendable	41,890	-	-	41,890
Restricted	-	101,759	-	101,759
Assigned	550,282	-	-	550,282
Unassigned	281,773	-	-	281,773
Total fund balance	<u>873,945</u>	<u>101,759</u>	<u>-</u>	<u>975,704</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,185,038</u>	<u>\$ 122,559</u>	<u>\$ 5,106</u>	<u>\$ 1,312,703</u>

The accompanying notes are an integral
part of this balance sheet.

INCORPORATED VILLAGE OF MASTIC BEACH
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MAY 31, 2014

Total Fund Balance - Governmental Funds \$ 975,704

Amounts reported for governmental activities in the Statement of Net Position are different due to the following:

Capital assets less accumulated depreciation are included in the Statement of Net Position:

Capital assets:

Depreciable	\$ 1,773,944	
Accumulated depreciation	<u>(250,743)</u>	1,523,201

Long-term liabilities applicable to the Village's governmental activities are not due and payable in the current period and accordingly are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position:

Bonds payable	(995,000)	
Compensated absences	<u>(6,100)</u>	(1,001,100)

Interest payable applicable to the Village's governmental activities are not due and payable in the current period and accordingly are not reported in the governmental fund financial statements. However, these liabilities are included in the Statement of Net Position.

(13,985)

Net Position - Governmental Activities

\$ 1,483,820

The accompanying notes are an integral part of this statement.

INCORPORATED VILLAGE OF MASTIC BEACH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MAY 31, 2014

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	
			<u>Robin Hood Relief Fund</u>	
REVENUES				
Real property taxes	\$ 1,168,955	\$ -	\$ -	\$ 1,168,955
Other tax items	59,638	-	-	59,638
Non-property tax items	238,868	-	-	238,868
Departmental income	1,577,109	-	-	1,577,109
Fines and forfeitures	157,850	-	-	157,850
Use of money and property	3,528	191	-	3,719
Licenses and permits	266,061	-	-	266,061
State and local aid	497,911	-	255,171	753,082
Federal aid	162,809	-	-	162,809
Miscellaneous revenues	4,899	-	-	4,899
Total revenues	4,137,628	191	255,171	4,392,990
EXPENDITURES				
General government	1,630,510	22,538	-	1,653,048
Public safety	451,901	-	-	451,901
Transportation	1,019,841	-	-	1,019,841
Economic opportunity and assistance	13,025	-	-	13,025
Home and community services	1,372,642	-	255,171	1,627,813
Employee benefits	229,058	-	-	229,058
Capital Outlay	-	870,894	-	870,894
Total expenditures	4,716,977	893,432	255,171	5,865,580
Deficiency of revenues under expenditures	(579,349)	(893,241)	-	(1,472,590)
OTHER FINANCING SOURCES				
Proceeds from serial bond issuance	-	995,000	-	995,000
Total other financing sources	-	995,000	-	995,000
Change in fund balance	(579,349)	101,759	-	(477,590)
Fund balance, beginning of year	1,453,294	-	-	1,453,294
Fund balance, end of year	\$ 873,945	\$ 101,759	\$ -	\$ 975,704

The accompanying notes are an integral
part of this statement.

INCORPORATED VILLAGE OF MASTIC BEACH
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2014

Net Change in Fund Balance - Governmental Funds \$ (477,590)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlay exceeds depreciation expense in the current period is:

Capital outlay	\$ 1,327,825	
Depreciation expense	(138,764)	1,189,061

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 has any effect on net position.

Proceeds from issuance of serial bonds		(995,000)
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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 governmental funds:

Compensated absences	(6,100)	
Accrued interest costs	(13,985)	(20,085)

Net Change in Net Position-Governmental Activities		<u>\$ (303,614)</u>
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Preliminary & Tentative
for Discussion Purposes Only

The accompanying notes are an integral part of this statement.

INCORPORATED VILLAGE OF MASTIC BEACH
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
MAY 31, 2014

	Agency Funds
ASSETS	
Cash	\$ 18,980
Total assets	\$ 18,980
LIABILITIES	
Other liabilities	\$ 1,190
Justice Court	17,709
Due to governmental funds	81
Total liabilities	\$ 18,980

Preliminary & Tentative
for Discussion Purposes Only

The accompanying notes are an integral
part of this statement.

INCORPORATED VILLAGE OF MASTIC BEACH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2014

1. **Summary of significant accounting policies**

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

A. **Financial reporting entity**

The Incorporated Village of Mastic Beach, which was incorporated in 2010, is governed by its Charter, General Municipal Law, Village Law, other general laws of the State of New York and various local laws. The Village Board of Trustees is the legislative body responsible for overall operations. The Mayor serves as chief executive officer and the Village Clerk serves as chief fiscal officer.

The Village provides a full range of municipal services including sanitation, snow removal, recreation, village planning, code enforcement, administrative zoning, justice court and building inspection.

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

B. **Basis of presentation**

1. **Village-wide financial statements**

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

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

2. Fund financial statements

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

The Village records its transactions in the fund types described below:

- a. Governmental funds - are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon the determination of financial position and changes in financial position (the sources, uses and balances of current financial resources). The following are the Village's governmental fund types:

Major Funds:

General Fund - the principal operating fund which includes all operations not required to be recorded in other funds.

Special Revenue Funds - used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The following Special Revenue Funds are utilized:

Robin Hood Relief Fund - used to account for funds received from the Robin Hood Foundation and the related grant payments made to residents of the Village that meets the criteria of the grant agreement.

The Village does not possess any funds which it considers to be non-major as of May 31, 2014.

3. Fiduciary funds - used to account for assets held by the local government in a trustee or custodial capacity:

Agency Funds - used to account for money (and/or property) received and held in the capacity of trustee, custodian or agent. The Village accounts for the Justice Court as an Agency Fund.

C. Measurement focus and basis of accounting

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

Modified accrual basis - the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Village considers all revenues reported in the governmental funds to be available if the revenues are collected within a reasonable period of time after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Material revenues that are accrued include real property taxes, State and Federal aid, sales tax and certain user charges. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made and the resources are available.

Accrual basis - the Village-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Village gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Fixed assets and long-term liabilities related to these activities are recorded within the funds.

D. Property taxes

Real property taxes are levied annually in June. The Village assumes enforcement responsibility for all taxes levied in the Village.

E. Interfund transactions

Interfund transactions have been eliminated from the Village-wide financial statements. In the fund financial statements, interfund transactions include:

1. Interfund revenues

Interfund revenues represent amounts charged for services or facilities provided by one fund to another fund. The amounts paid by the fund receiving the benefits of the service or facilities are reflected as an expenditure of the fund receiving the service.

2. Transfers

Interfund transfers represent payments to/from other funds for reimbursement of costs paid by one fund for another fund or funding for capital projects.

F. Cash and cash equivalents

Cash consists of funds deposited in demand accounts, time deposit accounts and certificates of deposit with maturities of less than three months from the date acquired by the Village

G. Receivables

Receivables include amounts due from Federal, State and other governments or entities for services provided by the Village. Receivables are recorded and revenues are recognized as earned or as specific program expenditures are incurred.

H. Restricted assets

Certain assets are classified as restricted assets because their use is restricted by contractual agreements and regulations.

I. Capital assets

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

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the Village-wide financial statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Building and building improvements	\$5,000	Straight line	20-40 years
Machinery and equipment	\$3,000	Straight line	3-10 years
Infrastructure	\$5,000	Straight line	20-50 years

J. Deferred outflows

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

K. Deferred inflows/unearned revenues

Deferred inflows of resources are defined as an acquisition of net position by the government that is applicable to future periods. Deferred inflows are reported when potential revenues do not meet both the measureable and available criteria for recognition in the current period. Unearned revenues arise when the Village receives resources before it has legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the Village has legal claim to the resources, the deferred inflow/unearned revenue is removed and revenues are recorded.

L. Long-term obligations

The liabilities for long-term obligations consisting of general obligations bonds payable and compensated absences are recognized in the Village-wide financial statements.

In the fund financial statements, long-term obligations are not reported as liabilities. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures when paid.

M. Compensated Absences

Employees accrue vacation leave based on their employment type with the Village. Full-time employees of the Village can accrue a maximum of 40 days a year. Part-time employees can accrue a maximum of 15 days a year. Upon separation from service, employees are paid for their earned time. Employees accrue no sick leave after year-end.

Vested vacation and sick leave is recorded in governmental funds as a fund liability and expenditures, if payable from current resources.

N. Net position

In the Village-wide financial statements, there can be three classes of net position:

1. Net investment in capital assets: consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.
2. Restricted: consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
3. Unrestricted: is the amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund financial statements

In the fund financial statements, there can be five classifications of fund balance:

1. Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The Village's nonspendable fund balance as of May 31, 2014 totaled \$41,890 and consisted of prepaid insurance expenditures.
2. Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The Village's restricted fund balances as of May 31, 2014 totaled \$101,759 and consisted of funds restricted for future capital projects.
3. Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, i.e. the Board. The Village Board of Trustees is the decision-making authority that can, by Board resolution, commit fund balance. The Village has no committed fund balances as of May 31, 2014.

4. Assigned - Includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance, except for tax stabilization arrangements. Amounts appropriated for the subsequent year totaling \$550,282 are classified as assigned fund balance.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriation, is employed in the governmental funds. Appropriations for all governmental funds lapse at year-end. However, encumbrances reserved against fund balances are re-appropriated in the ensuing year. Encumbrances are reported as assigned fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

5. Unassigned - Includes all other General Fund fund balance that do not meet the definition of the above four classifications and are deemed to be available for general use by the Village.

Order of use of fund balance

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

O. Insurance

The Village assumes the liability for most risk including, but not limited to, property damage and personal injury liability. The Village maintains insurance policies in amounts and on terms generally standard for municipalities to insure against these liabilities. These insurance policies limit the overall exposure to Village assets by providing a third party insurer to assume the risk and liabilities relating to claims. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

P. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, potential contingent liabilities and useful lives of long-lived assets

2. **Explanation of certain differences between fund financial statements and Village-wide financial statements**

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

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

Total fund balances of the Village's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental funds Balance Sheet.

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

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories. The categories are shown below:

1. **Long-term revenue/expense differences**

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

2. **Capital related differences**

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

3. **Long-term debt transaction differences**

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund financial statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

3. **Stewardship, compliance and accountability**

A. **Budgetary data**

1. **Budget policies**

- a. No later than March 20, the Village Clerk submits a tentative budget to the Village Board of Trustees for the fiscal year commencing the following June 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.

- b. After public hearings are conducted to obtain taxpayer comments, no later than May 1, the Village Board of Trustees adopts the budget.
- c. All modifications of the budget must be approved by the Village Board of Trustees.

2. Budget basis of accounting

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

4. Cash and cash equivalents - custodial credit, concentration of credit, interest rate and foreign currency risks

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 Federal Deposit Insurance Corporation ("FDIC") insured commercial banks or trust companies located within the State. The Village Clerk is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit at 105 percent of all deposits not covered by Federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the Federal government. Underlying securities must have a market value of at least 105 percent of the cost of the repurchase agreement.

For purposes of reporting cash flow, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity.

Custodial credit risk - deposits/investments: Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either:

- Uncollateralized
- Collateralized with securities held by the pledging financial institution, or
- Collateralized with securities held by the pledging financial institution's trust department or agent but not in the Village's name

Deposits and investments at year-end were entirely covered by Federal depository insurance or by collateral held by the Village's custodial banks in the Village's name. The Village's deposits at year end consisted of:

Fund	Bank Balance	Carrying Amount	
General Fund	\$ 704,698	\$ 686,683	Insured (FDIC)/Collateralized
Robin Hood Relief Fund	6,029	5,106	Insured (FDIC)/Collateralized
Capital Projects Fund	122,559	122,559	Insured (FDIC)/Collateralized
Fiduciary Fund	21,724	18,980	Insured (FDIC)/Collateralized
	<u>\$ 855,010</u>	<u>\$ 833,328</u>	

Credit risk: State law limits investments to those authorized by State statutes. The Village has a written investment policy.

Interest-rate risk: Interest-rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. Accordingly, such investments would have to be held to maturity to avoid potential loss.

Concentration of credit risk: Credit risk can arise as a result of failure to adequately diversify investments. Concentration risk disclosure is required for positions of 5 percent of more in securities of a single issuer.

As of May 31, 2014, the Village did not have any investments subject to credit risk, interest-rate risk, or concentration of credit risk.

5. Receivables

A. Property taxes

As of May 31, 2014, there was \$131,056 in real property taxes receivable outstanding.

B. Due from State and Federal aid receivables

As of May 31, 2014 there was \$283,510 in State and Federal aid receivables which consisted of Federal Emergency Management Agency ("FEMA") funds owed to the Village for the reimbursement of expenses related to Superstorm Sandy, as well as funds owed to the Village from the New York Department of Transportation - Consolidated Highway Improvement Program ("CHIPS").

6. Interfund balances and activity

Interfund receivable and payable balances as of May 31, 2014 primarily represent payment of capital expenditures that will be reimbursed subsequent to year-end. Interfund transfer balances as of May 31, 2014 represent transfers from the General Fund to fund Capital Fund projects. Balances at year-end are stated as follows:

	Interfund	
	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 81	\$ -
Trust and Agency Fund	-	81
Totals	\$ 81	\$ 81

7. Capital assets

Capital asset balances and activity for the year ended May 31, 2014 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are depreciated:				
Buildings and building improvements	\$ 46,265	\$ 961,233	\$ -	\$ 1,007,498
Furniture and equipment	399,854	320,205	-	720,059
Infrastructure	-	46,387	-	46,387
Total depreciable capital assets	446,119	1,327,825	-	1,773,944
Less accumulated depreciation:				
Buildings and building improvements	16,786	25,440	-	42,226
Furniture and equipment	95,193	112,860	-	208,053
Infrastructure	-	464	-	464
Total accumulated depreciation	111,979	138,764	-	250,743
Total capital assets, net	\$ 334,140	\$ 1,189,061	\$ -	\$ 1,523,201

Depreciation expense was charged to governmental functions as follows:

General government	\$ 54,113
Public safety	15,710
Transportation	68,941
	\$ 138,764

8. Long-term debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds payable	\$ -	\$ 995,000	\$ -	\$ 995,000	\$ 50,000
Compensated absences	-	6,100	-	6,100	1,000
Total long-term liabilities	\$ -	\$ 1,001,100	\$ -	\$ 1,001,100	\$ 51,000

Serial bonds - the Village borrows money in order to acquire land or equipment or to construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government.

In November 2013, the Village issued \$995,000 in Village hall serial bonds with interest rates varying from 2.000% to 4.125%, which mature in November 2028. The serial bonds proceeds were used to acquire a building from the Town of Brookhaven (new Village Hall) and perform renovations on the building's property.

Outstanding indebtedness aggregated \$995,000. All \$995,000 of the outstanding indebtedness was subject to the constitutional debt limit and represented approximately 1.39% of this debt limit.

The following is a summary of long-term bond indebtedness:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding at 5/31/14
Village hall serial bonds	11/15/2013	11/15/2028	2.000-4.125%	\$ 995,000

The following table summarizes the Village's future maturity debt service requirements:

Year Ended	Principal	Interest	Total
<u>May 31,</u>			
2015	\$ 50,000	\$ 42,855	\$ 92,855
2016	60,000	27,574	87,574
2017	60,000	26,374	86,374
2018	60,000	25,174	85,174
2019	60,000	23,936	83,936
2020-2024	330,000	95,869	425,869
2025-2029	375,000	36,609	411,609
	<u>\$ 995,000</u>	<u>\$ 278,391</u>	<u>\$ 1,273,391</u>

Interest on long-term debt for year was comprised of:

Interest paid	\$	-
Less interest accrued in the prior year		-
Plus interest accrued in the current year		<u>13,985</u>
Interest expense	\$	<u>13,985</u>

Other long-term debt - in addition to the above long-term debt, the Village had the following non-current liabilities:

Compensated absences - represents the value of earned and unused portion of the liability for compensated absences.

8. Commitments and contingencies

A. Risk management and litigation

In common with other municipalities, the Village receives numerous notices of claims. Although the eventual outcome of the claims cannot presently be determined, it is the opinion of the Village and Village Attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the Village has not asserted a substantial and adequate defense, nor which, if determined against the Village, would have a material adverse effect on the financial condition of the Village, in view of the Village's ability to fund the same through use of appropriate funding mechanisms provided by the Local Finance Law. The Village is insured for worker's compensation insurance and disability insurance.

B. Government grants

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

C. Property tax cap

In June 2011, the New York State Legislature enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions. For fiscal years beginning in 2012-2013 through at least June 15, 2016, growth in the property tax levy (the total amount to be raised through property taxes charged on a municipality's taxable assessed value of property) will be capped at 2% or the rate of inflation (but not less than 1 percent), whichever is less, with some exceptions. The New York State Comptroller recently set the allowable levy growth factor for local governments for fiscal years beginning January 1, 2014, at 1.66% (before exemptions). Local governments can exceed the tax levy limit by a 60% vote of the governing body, or by local law.

9. Future accounting standards

The Village has adopted all current statements of GASB that are applicable. The following are changes in accounting standards that were implemented in the current fiscal year:

GASB has issued Statement No. 68, Accounting and Reporting for Pension Plans, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The Village is currently studying the Statement and plans on adoption when required, which will be for the May 31, 2016 financial statements.

GASB has issued Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, which aims to improve accounting and financial reporting by State and local governments that extend and receive nonexchange financial guarantees. The Village is currently studying the Statement and plans on adoption when required, which will be for the May 31, 2016 financial statements.

GASB has issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68, the purpose of which is to address an issue regarding application of the transition provisions of Statement No. 68, where amounts contributed, if any, by a State or local government employer or nonemployer contributing entity to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, are recognized as deferred outflows of resources. The Village is currently studying the Statement and plans on adoption when required, which will be for the May 31, 2016 financial statements.

10. Subsequent events

The Village has evaluated subsequent events occurring after the Statement of Net Position through the date of October 1, 2014 which is the date the financial statements were available to be issued noting no matters requiring disclosure.

**INCORPORATED VILLAGE OF MASTIC BEACH
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2014**

	<u>Adopted Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Year-End Encumbrances</u>	<u>Variance- Better (Worse)</u>
REVENUES					
Real property taxes	\$ 1,168,955	\$ 1,168,955	\$ 1,168,955		\$ -
Other tax items	10,000	16,936	59,638		42,702
Non-property tax items	325,000	325,000	238,868		(86,132)
Departmental income	1,630,400	1,649,186	1,577,109		(72,077)
Fines and forfeitures	75,000	157,850	157,850		-
Use of money and property	2,500	3,525	3,528		3
Licenses and permits	212,000	266,061	266,061		-
State and local aid	164,000	296,195	497,911		201,716
Federal aid	-	412,465	162,809		(249,656)
Sale of property and compensation of loss	5,000	5,000	-		(5,000)
Miscellaneous revenues	-	-	4,899		4,899
Total revenues	3,592,855	4,301,173	4,137,628		(163,545)
OTHER FINANCING SOURCES					
Appropriated fund balance	560,794	560,794	-		(560,794)
Total revenues and other financing sources	4,153,649	4,861,967	4,137,628		(724,339)
EXPENDITURES					
General government	1,024,682	1,676,584	1,630,510	\$ -	46,074
Public safety	483,156	518,503	451,901	-	66,602
Transportation	841,437	1,017,674	1,019,841	-	(2,167)
Economic opportunity and assistance	20,000	13,025	13,025	-	-
Culture and recreation	12,500	2,600	-	-	2,600
Home and community services	1,640,200	1,377,128	1,372,642	-	4,486
Employee benefits	131,674	256,453	229,058	-	27,395
Total expenditures	4,153,649	4,861,967	4,716,977	-	144,990
Change in fund balance	-	-	(579,349)	\$ -	\$ (579,349)
Fund balance, beginning of year	1,453,294	1,453,294	1,453,294		
Fund balance, end of year	<u>\$ 1,453,294</u>	<u>\$ 1,453,294</u>	<u>\$ 873,945</u>		

Note to Required Supplementary Information

Budget basis of accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.



NawrockiSmith

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of the
Incorporated Village of Mastic Beach:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Incorporated Village of Mastic Beach (the "Village"), as of and for the year ended May 31, 2014, and the related notes to the financial statements which collectively comprise the Village's financial statements, and have issued our report thereon dated October 1, 2014.

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 opinion 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

NawrockiSmith

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 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.

October 1, 2014
Melville, New York

Preliminary & Tentative
for Discussion Purposes Only

INCORPORATED VILLAGE OF MASTIC BEACH
JUSTICE COURT FUNDS
FINANCIAL STATEMENTS
AS OF MAY 31, 2014
TOGETHER WITH AUDITOR'S REPORT

*Preliminary & Tentative
for Discussion Purposes Only*

INCORPORATED VILLAGE OF MASTIC BEACH
JUSTICE COURT FUNDS
FINANCIAL STATEMENTS
AS OF MAY 31, 2014

INDEX

	<u>PAGE(S)</u>
Independent Auditor's Report	1-2
Statement of Cash Receipts and Cash Disbursements	3
Note to the Financial Statement	4

*Preliminary & Tentative
for Discussion Purposes Only*



NawrockiSmith
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Village Justices of the
Incorporated Village of Mastic Beach Justice Court:

We have audited the accompanying statement of cash receipts and cash disbursements of the Justice Court of the Incorporated Village of Mastic Beach (the "Village") for the year ended May 31, 2014, and the related note to the financial statement, which collectively comprise the financial statements of the Village's Justice Court Funds.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of cash receipts and disbursements is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinion.

NawrockiSmith

Opinion

In our opinion, the statement of cash receipts and cash disbursements referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Justice Court Funds of the Incorporated Village of Mastic Beach, for the year ended May 31, 2014 in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Melville, New York
October 1, 2014

*Preliminary & Tentative
for Discussion Purposes Only*

INCORPORATED VILLAGE OF MASTIC BEACH
JUSTICE COURT FUNDS
STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
FOR THE YEAR ENDED MAY 31, 2014

	Village Justice O'Malley	Joint Bail Account
	<u> </u>	<u> </u>
Balances, June 1, 2013	\$ 16,847	\$ -
Receipts:		
Vehicle violations, parking, fines and Village ordinances	184,153	-
New York State surcharge	13,555	-
Other	-	500
	<u> </u>	<u> </u>
Accountability	197,708	500
Disbursements	<u>197,346</u>	<u> </u>
Balances, May 31, 2014	<u>\$ 17,209</u>	<u>\$ 500</u>

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The accompanying note to financial statement
should be read in conjunction with this statement.

INCORPORATED VILLAGE OF MASTIC BEACH
JUSTICE COURT FUNDS
NOTE TO THE FINANCIAL STATEMENT

(1) **Summary of significant accounting policies**

The transactions of the Justice Court Funds are not considered part of the reporting entity of the Incorporated Village of Mastic Beach (the "Village"). Consequently, such transactions are not included in the general purpose financial statements of the Village.

The books and records of the Justice Court Funds are maintained on the cash basis method of accounting, revenues are recognized when cash is received and expenditures are recognized when cash is disbursed. The funds are controlled by the Village Justices to primarily record the receipt of traffic fines imposed and their subsequent disbursements to the Incorporated Village of Mastic Beach. The Village retains a portion of all fines received for tickets issued in the Village and remits the State and Suffolk County share of the receipts to the New York State Office of the State Comptroller in accordance with the Uniform Justice Court Act and State Finance Law.

*Preliminary & Tentative
for Discussion Purposes Only*