

INCORPORATED VILLAGE OF MASTIC BEACH
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
AS OF MAY 31, 2015
TOGETHER WITH AUDITOR'S REPORTS

INCORPORATED VILLAGE OF MASTIC BEACH
TABLE OF CONTENTS

	<u>PAGE(S)</u>
Independent Auditor's Report	1-2
Required Supplementary Information:	
Management's Discussion And Analysis ("MD&A")	3-13
Basic Financial Statements:	
Village-Wide Financial Statements -	
Statement Of Net Position	14
Statement Of Activities And Changes In Net Position	15
Fund Financial Statements -	
Balance Sheet - Governmental Funds	16
Reconciliation Of Governmental Funds Balance Sheet To The Statement Of Net Position	17
Fund Financial Statements -	
Statement Of Revenues, Expenditures And Changes In Fund Balance - Governmental Funds	18
Reconciliation Of Governmental Funds Statement Of Revenues, Expenditures And Changes In Fund Balance To The Statement Of Activities	19
Fund Financial Statements -	
Statement Of Fiduciary Net Position - Fiduciary Funds	20
Notes To Financial Statements	21-33
Required Supplementary Information Other Than MD&A:	
Schedule Of Revenues, Expenditures And Change In Fund Balance - Budget And Actual - General Fund	34
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 <i>Government Auditing Standards</i>	35-36
Schedule of Findings and Responses	37-41



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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying 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, 2015, and the related notes to financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of 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 purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Incorporated Village of Mastic Beach, as of May 31, 2015, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

NawrockiSmith

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-13 and 34, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board ("GASB"), who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Melville, New York
November 23, 2015

Nawrocki Smith LLP

INCORPORATED VILLAGE OF MASTIC BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MAY 31, 2015

The following is a discussion and analysis of the Incorporated Village of Mastic Beach's (the "Village") financial performance for the fiscal year ended May 31, 2015. This section is a summary of the Village's financial activities based on currently known facts, decisions or conditions. It is also based on both the Village-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the Village's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- As of May 31, 2015, the Village reflected total assets of \$2,426,253, total liabilities and deferred inflows of \$1,110,446 and net position of \$1,315,807 in the Village-wide financial statements.
- As of May 31, 2015, the General Fund had total fund balance of \$463,652, of which \$350,000 was designated for the fiscal year ending May 31, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts: the basic financial statements and required supplementary information (including this section; "MD&A"). The financial statements include two kinds of financial statements that present different views of the Village:

- The first two financial statements are *Village-wide financial statements* that provide both *short-term* and *long-term* information about the Village's *overall* financial status.
- The remaining financial statements are *fund financial statements* that focus on *individual parts* of the Village, reporting the Village's operations in *more detail* than the Village-wide financial statements.
 - The *fund financial statements* tell how programs were financed in the *short-term* as well as what remains for future spending.
 - *Fiduciary Fund financial statements* provide information about the financial relationships in which the Village acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Village's budget for the General Fund for the year.

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

Table A-1: Major Features of the Village-Wide and Fund Financial Statements

	Village-Wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire Village (except fiduciary funds)	The activities of the Village that are not proprietary or fiduciary	Instances in which the Village administers resources on behalf of someone else
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities and Changes in Net Position 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities and deferred inflows of resources (if any), both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Village-Wide Financial Statements

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

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

- Over time, increases or decreases in the Village's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Village's overall health, you need to consider additional non-financial factors such as availability of Federal funding and the condition of buildings and other facilities.

In the Village-wide financial statements, the Village's activities are shown as *governmental activities*; most of the Village's basic services are included here. Property taxes, charges for services and operating grants finance most of these activities.

Fund Financial Statements

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

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

The Village has two kinds of funds:

- **Governmental funds:** Most of the Village's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the fund financial statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the Village-wide financial statements, reconciliations of the Village-wide and fund financial statements are provided which explain the relationship (or differences) between them.
- **Fiduciary funds:** The Village is the trustee or fiduciary, for assets that belong to others. The Village is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Village excludes these activities from the Village-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

The Village's net position decreased by 11.3% from the year before to \$1,315,807 as detailed in Tables A-2 and A-3.

- The Village recorded a decrease in total assets of \$409,651 or 14.4%, as a result of a decrease in cash, receivables, and prepaid expenses, offset by an increase in capital assets, net of \$52,734.
- The Village recorded a decrease in total liabilities and deferred inflows of resources of \$241,638. The decrease is mainly the result of the timing of payments made to vendors at year-end (accounts payable) accompanied by a decrease in long-term debt due to current year payments for debt service.
- Total net position decreased by \$168,013, specifically, restricted net position decreased by \$82,074 as a result of continued spending on improvements to Village Hall. Restricted net position of \$19,685 represents the remaining portion of cash from the serial bond issued to fund those improvements. The remaining decrease in net position is the result of excess expenses over revenues.

Table A-2: Condensed Statements of Net Position - Governmental Activities

	<u>5/31/15</u>	<u>5/31/14</u>	<u>\$ Change</u>	<u>% Change</u>
Current assets	\$ 850,318	\$ 1,312,703	\$ (462,385)	(35.2)
Capital assets, net	<u>1,575,935</u>	<u>1,523,201</u>	<u>52,734</u>	3.5
Total assets	<u>\$ 2,426,253</u>	<u>\$ 2,835,904</u>	<u>\$ (409,651)</u>	(14.4)
Current liabilities	\$ 221,063	\$ 401,878	\$ (180,815)	(45.0)
Long-term liabilities	<u>889,277</u>	<u>950,100</u>	<u>(60,823)</u>	(6.4)
Total liabilities	1,110,340	1,351,978	(241,638)	(17.9)
Deferred inflows of resources	<u>106</u>	<u>106</u>	<u>-</u>	-
Total liabilities and deferred inflows of resources	<u>\$ 1,110,446</u>	<u>\$ 1,352,084</u>	<u>\$ (241,638)</u>	(17.9)
Net position:				
Net investment in capital assets	\$ 650,620	\$ 629,960	\$ 20,660	3.3
Restricted	19,685	101,759	(82,074)	(80.7)
Unrestricted	<u>645,502</u>	<u>752,101</u>	<u>(106,599)</u>	(14.2)
Total net position	<u>\$ 1,315,807</u>	<u>\$ 1,483,820</u>	<u>\$ (168,013)</u>	(11.3)

Changes in Net Position

Table A-3: Changes in Net Position from Operating Results - Governmental Activities Only

	<u>5/31/15</u>	<u>5/31/14</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Program revenues:				
Charges for services	\$ 2,216,033	\$ 2,001,020	\$ 215,013	10.7
Operating grants	-	427,152	(427,152)	(100.0)
Capital grants	121,850	350,861	(229,011)	(65.3)
General revenues:				
Real property taxes	1,145,287	1,168,955	(23,668)	(2.0)
Other tax items	26,644	59,638	(32,994)	(55.3)
State aid - mortgage tax	146,872	137,878	8,994	6.5
Non-property tax items	247,529	238,868	8,661	3.6
Use of money and property	2,019	3,719	(1,700)	(45.7)
Miscellaneous	8,628	4,899	3,729	76.1
Total revenues	<u>3,914,862</u>	<u>4,392,990</u>	<u>(478,128)</u>	<u>(10.9)</u>
Expenses				
General government	1,309,983	1,741,904	(431,921)	(24.8)
Public safety	476,056	443,962	32,094	7.2
Transportation	824,665	855,915	(31,250)	(3.7)
Economic opportunity and assistance	3,074	13,025	(9,951)	(76.4)
Home and community services	1,427,314	1,627,813	(200,499)	(12.3)
Debt service - interest	41,783	13,985	27,798	198.8
Total expenses	<u>4,082,875</u>	<u>4,696,604</u>	<u>(613,729)</u>	<u>(13.1)</u>
Change in net position	<u>\$ (168,013)</u>	<u>\$ (303,614)</u>	<u>\$ 135,601</u>	<u>44.7</u>

The Village's fiscal year 2015 revenues totaled \$3,914,862, which is 10.9% lower than fiscal year 2014 (see Table A-3). Real property taxes and charges for services accounted for 86% of total revenues (see Table A-4). The remainder came from operating grants, other tax items, New York State aid, non-property tax items, use of money and property and other miscellaneous sources.

- Capital grants revenue decreased by 65.3% due to the Village receiving less funding from the New York State Department of Transportation, Consolidated Highway Improvement Programs ("CHIPS") revenue, during fiscal 2015.
- Operating grants decreased by 100% as a result of the Village receiving their final reimbursement from the Federal Emergency Management Agency ("FEMA") during fiscal 2014, and no other operating grant funding was received during fiscal 2015.
- State aid - mortgage tax revenue increased by 6.5% due to continued improvement in real estate market during 2014-15, which in turn resulted in a higher share of mortgage tax aid receipts.

- A decrease of 55.3% was recorded in other tax items, as the Village collected less in penalties and interest on past due tax amounts than it had in years prior.
- The decrease in property tax revenue of 2.0% is due to a drop in the estimated assessed valuation of the Village by approximately \$177,000

The Village's fiscal year 2015 expenses totaled \$4,082,875, which is 13.1% lower than fiscal year 2014 (see Table A-3). These expenses (87%) are predominately related to general government, transportation and home and community services (see Table A-6).

- General government expenses decreased as a result of the Village spending less on contractual expenditures, such as consultants and other professional services.
- Economic opportunity and assistance expenses decreased due to Village recording less in contractual expenditures allocated to this function.
- Home and community services expenses decreased as a result of the Village not recording grant expenditures related to the Robin Hood Fund in fiscal 2015, as the grant was fully expended during fiscal 2014.

Table A-4: Sources of Revenues for Fiscal Year 2015

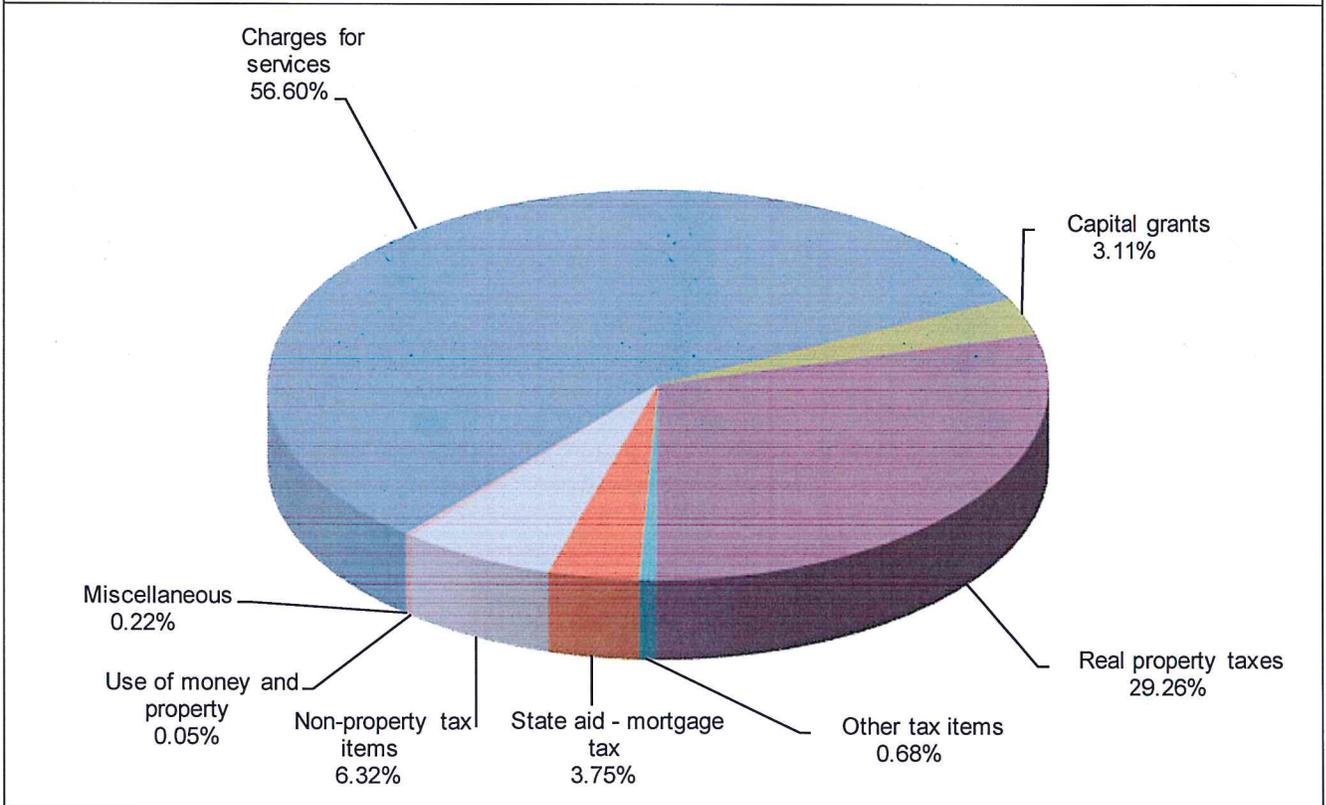


Table A-5: Sources of Revenues for Fiscal Year 2014

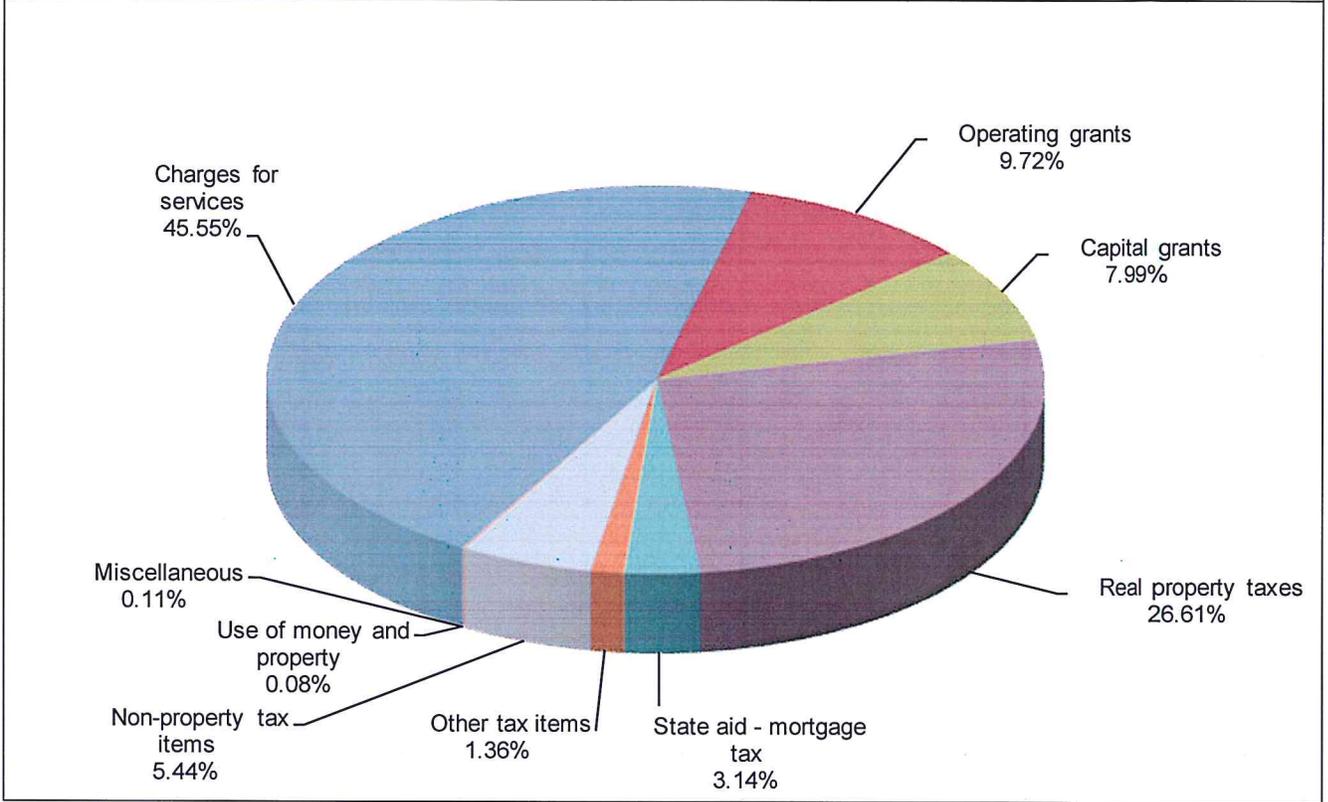


Table A-6: Expenses for Fiscal Year 2015

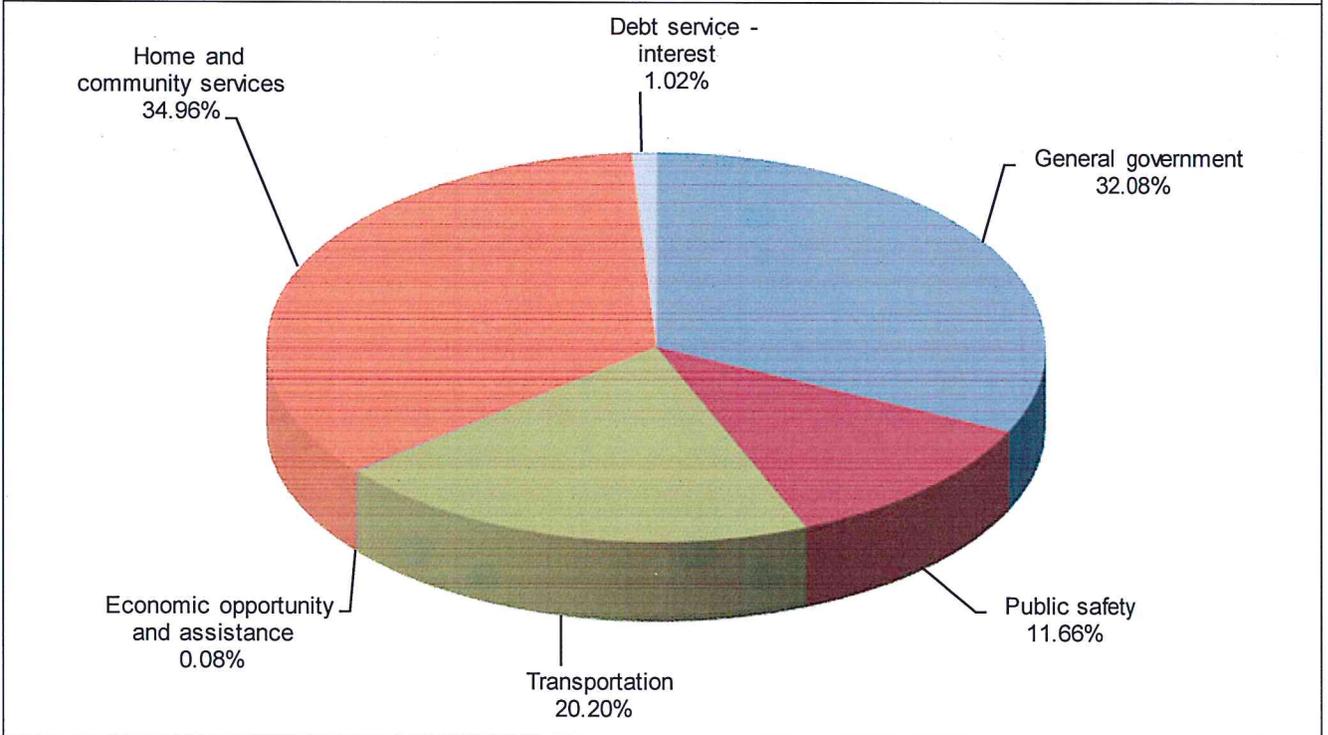
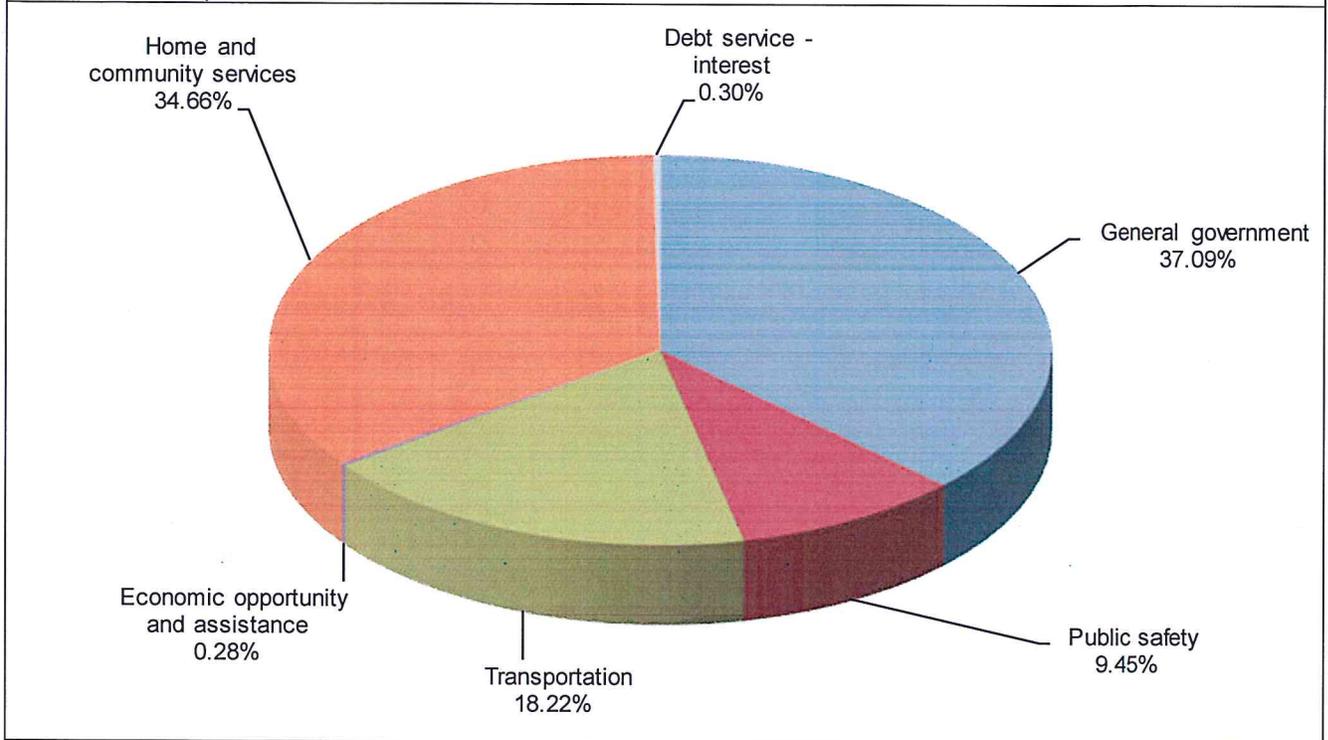


Table A-7: Expenses for Fiscal Year 2014



Governmental Activities

Revenues for the Village's governmental activities were consistent with the Village-wide operating results. Governmental expenditures exceed Village-wide expenditures due principally to payment for capital assets and long-term debt.

The primary program activities of the Village included:

- Refuse disposal
- Street maintenance
- Snow removal
- Recreational activities
- Code enforcement
- Zoning

Substantially all of the Village's revenues are generated through real property taxes, charges for services, operating grants and capital grants.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Variances between years for the fund financial statements are not the same as variances between years for the Village-wide financial statements. The Village's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets and the current payments for debt.

The Village's fund financial statements show the following variations year over year:

- Total assets decreased from \$1,312,703 in 2014 to \$852,346 in 2015. The overall decrease is a result of a decrease in unrestricted cash and restricted cash, and State and Federal aid receivables and prepaid expenses, offset by an increase in property taxes receivable.

- Total liabilities and deferred inflows of resources increased from \$336,999 in 2014 to \$369,009 in 2015. This increase is primarily due to an increase in deferred inflows of resources (property taxes not collected within the available period), offset by a decrease in accounts payable and accrued expenses.

As of May 31, 2015, the Village's governmental funds had a combined fund balance of \$483,337, which is a decrease of \$492,367 from the previous year. Fund balances for the Village's governmental funds for the past two years were distributed as follows:

Table A-8: Fund Balances - Governmental Funds				
	<u>5/31/15</u>	<u>5/31/14</u>	<u>\$ Change</u>	<u>% Change</u>
General Fund				
Nonspendable:				
Prepaid expenditures	\$ -	\$ 41,890	\$ (41,890)	(100.0)
Assigned:				
Designated for subsequent year's expenditures	350,000	550,282	(200,282)	(36.4)
Unassigned	113,652	281,773	(168,121)	(59.7)
Total General Fund	<u>463,652</u>	<u>873,945</u>	<u>(410,293)</u>	<u>(46.9)</u>
Capital Fund				
Restricted:				
Capital Projects	19,685	101,759	(82,074)	(80.7)
Total Capital Fund	<u>19,685</u>	<u>101,759</u>	<u>(82,074)</u>	<u>(80.7)</u>
Total fund balance	<u>\$ 483,337</u>	<u>\$ 975,704</u>	<u>\$ (492,367)</u>	<u>(50.5)</u>

General Fund Budgetary Highlights

Reference is made to the budget vs. actual schedule on page 34 which presents budget and actual results for the Village's General Fund.

- Actual revenues in the General Fund were less than budgeted revenues by \$140,331, (before appropriated fund balance), primarily due to real property taxes being less than budgeted, and other tax items and departmental income being greater than budgeted.
- Actual expenditures in the General Fund were less than budgeted by \$285,199 primarily due to less than anticipated spending in public safety, economic opportunity and assistance, culture and recreation and home and community services, offset by greater than anticipated spending in general government and transportation.
- The Village had a original planned loss (prior year appropriated fund balance) of \$555,161 but had an actual loss of \$410,293, thus the budget variance was positive \$144,868.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2015, the Village had invested \$1,575,935, net of depreciation, in a broad range of capital assets.

	<u>5/31/15</u>	<u>5/31/14</u>	<u>\$ Change</u>	<u>% Change</u>
Buildings and building improvements	\$ 1,001,676	\$ 965,272	\$ 36,404	3.8
Furniture and equipment	529,263	512,006	17,257	3.4
Infrastructure	<u>44,996</u>	<u>45,923</u>	<u>(927)</u>	(2.0)
Totals	<u>\$ 1,575,935</u>	<u>\$ 1,523,201</u>	<u>\$ 52,734</u>	3.5

Long-Term Debt

At year-end, the Village had \$950,277 in general obligation bonds and other long-term debt. General obligation bonds payable decreased as result of principal payments made as part of the Village's debt service schedule.

	<u>5/31/15</u>	<u>5/31/14</u>	<u>\$ Change</u>	<u>% Change</u>
General obligation bonds payable	\$ 945,000	\$ 995,000	\$ (50,000)	(5.0)
Compensated absences	<u>5,277</u>	<u>6,100</u>	<u>(823)</u>	(13.5)
Totals	<u>\$ 950,277</u>	<u>\$ 1,001,100</u>	<u>\$ (50,823)</u>	(5.1)

FACTORS BEARING ON THE FUTURE OF THE VILLAGE

At the time these financial statements were prepared and audited, the Village was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The future success of the Village and its programs are generally dependent on the ability to collect real property taxes, and the support of the residents.
- The "Tax Levy Limitation Law" which was enacted on June 24, 2011 restricts the amount of property taxes that may be levied by or on behalf of a village in a particular year. Although there are exceptions, exemptions and overrides to the limitation, the new Law is expected to make budgetary decisions more difficult. The Law was extended in July 2015, through June 15, 2020.

- In July 2014, the New York State Department of Taxation and Finance introduced the “Property Tax Freeze Credit” program. This program is a two-year tax relief program that reimburses qualifying New York State homeowners for increases in local property taxes on their primary residences. As a result, more pressure is placed on the Village to stay within the current tax levy limitation.

CONTACTING THE VILLAGE’S FINANCIAL MANAGEMENT

This financial report is designed to provide the Village’s citizens, taxpayers, customers and creditors with a general overview of the Village’s finances and to demonstrate the Village’s accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

Incorporated Village of Mastic Beach
369 Neighborhood Road
Mastic Beach, New York 11951
(631) 281-2326

INCORPORATED VILLAGE OF MASTIC BEACH
STATEMENT OF NET POSITION
MAY 31, 2015

ASSETS

Current assets:		
Cash:		
Unrestricted	\$	537,926
Restricted		26,819
Receivables:		
Accounts receivable		40,919
Taxes		244,281
Due from fiduciary fund		373
Total current assets		<u>850,318</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation of \$419,031		<u>1,575,935</u>
Total assets	\$	<u><u>2,426,253</u></u>

LIABILITIES

Current liabilities:		
Accounts payable and accrued expenses	\$	143,111
Due to other governments		4,039
Accrued interest payable		12,913
Long-term liabilities, due within one year:		
Bonds payable		60,000
Compensated absences		1,000
Total current liabilities		<u>221,063</u>
Noncurrent liabilities:		
Long-term liabilities, due after one year:		
Bonds payable		885,000
Compensated absences		4,277
Total noncurrent liabilities		<u>889,277</u>
Total liabilities		<u>1,110,340</u>

DEFERRED INFLOWS OF RESOURCES

Funds received in advance for community relief		<u>106</u>
Total deferred inflows of resources		<u>106</u>
Total liabilities and deferred inflows of resources		<u>1,110,446</u>

NET POSITION

Net investment in capital assets		650,620
Restricted		19,685
Unrestricted		645,502
Total net position		<u>1,315,807</u>
Total liabilities, deferred inflows of resources and net position	\$	<u><u>2,426,253</u></u>

The accompanying notes are an integral
part of this statement.

INCORPORATED VILLAGE OF MASTIC BEACH
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED MAY 31, 2015

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u> <u>Services, Fees</u> <u>Fines and Forfeitures</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Revenue and Changes</u> <u>in Net Position</u>
				<u>Primary</u> <u>Government</u>
Functions and programs:				
Primary government -				
General government	\$ 1,309,983	\$ 95,969	\$ -	\$ (1,214,014)
Public safety	476,056	127,360	-	(348,696)
Transportation	824,665	-	121,850	(702,815)
Economic opportunity and assistance	3,074	-	-	(3,074)
Home and community services	1,427,314	1,992,704	-	565,390
Debt service - interest	41,783	-	-	(41,783)
Total primary government	<u>\$ 4,082,875</u>	<u>\$ 2,216,033</u>	<u>\$ 121,850</u>	<u>(1,744,992)</u>
General revenues:				
Real property taxes				1,145,287
Other tax items				26,644
State aid - mortgage tax				146,872
Non-property tax items				247,529
Use of money and property				2,019
Miscellaneous revenues				8,628
Total general revenues				<u>1,576,979</u>
Change in net position				(168,013)
Total net position, beginning of year				<u>1,483,820</u>
Total net position, end of year				<u>\$ 1,315,807</u>

The accompanying notes are an integral
part of this statement.

INCORPORATED VILLAGE OF MASTIC BEACH
BALANCE SHEET - GOVERNMENTAL FUNDS
MAY 31, 2015

		Major Funds			
				Special Revenue	
ASSETS		General Fund	Capital Fund	Robin Hood Relief Fund	Total Governmental Funds
Cash:					
Unrestricted	\$	537,926	\$ -	\$ -	\$ 537,926
Restricted		-	21,713	5,106	26,819
Receivables:					
Accounts receivable		40,919	-	-	40,919
Taxes		244,281	-	-	244,281
Due from fiduciary fund		373	-	-	373
Due from other funds		2,028	-	-	2,028
Total assets	\$	825,527	\$ 21,713	\$ 5,106	\$ 852,346
LIABILITIES					
Accounts payable and accrued expenses	\$	138,111	\$ -	\$ 5,000	\$ 143,111
Due to other governments		4,039	-	-	4,039
Due to other funds		-	2,028	-	2,028
Total liabilities		142,150	2,028	5,000	149,178
DEFERRED INFLOWS OF RESOURCES					
Property taxes		219,725	-	-	219,725
Funds received in advance for community relief		-	-	106	106
Total deferred inflows		219,725	-	106	219,831
Total liabilities and deferred inflows of resources		361,875	2,028	5,106	369,009
FUND BALANCE					
Fund balance:					
Restricted		-	19,685	-	19,685
Assigned		350,000	-	-	350,000
Unassigned		113,652	-	-	113,652
Total fund balance		463,652	19,685	-	483,337
Total liabilities, deferred inflows of resources and fund balance	\$	825,527	\$ 21,713	\$ 5,106	\$ 852,346

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, 2015

Total Fund Balance - Governmental Funds	\$	483,337
<p>Amounts reported for governmental activities in the Statement of Net Position are different due to the following:</p>		
<p>Capital assets less accumulated depreciation are included in the Statement of Net Position:</p>		
<p>Capital assets:</p>		
Depreciable	\$ 1,994,966	
Accumulated depreciation	<u>(419,031)</u>	1,575,935
<p>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:</p>		
Bonds payable	(945,000)	
Compensated absences	<u>(5,277)</u>	(950,277)
<p>Revenue that was not accrued on the fund financial statements because it does not meet the availability criteria under the modified accrual basis of accounting is included in the Statement of Net Position.</p>		
		219,725
<p>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 fund financial statements. However, these liabilities are included in the Statement of Net Position.</p>		
		<u>(12,913)</u>
Net Position - Governmental Activities	\$	<u><u>1,315,807</u></u>

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, 2015

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects	Special Revenue Robin Hood Relief Fund	
REVENUES				
Real property taxes	\$ 925,562	\$ -	\$ -	\$ 925,562
Other tax items	26,644	-	-	26,644
Non-property tax items	247,529	-	-	247,529
Departmental income	1,815,702	-	-	1,815,702
Fines and forfeitures	115,055	-	-	115,055
Use of money and property	2,019	-	-	2,019
Licenses and permits	285,276	-	-	285,276
State and local aid	268,722	-	-	268,722
Miscellaneous revenues	8,628	-	-	8,628
Total revenues	3,695,137	-	-	3,695,137
EXPENDITURES				
General government	1,161,666	-	-	1,161,666
Public safety	412,704	-	-	412,704
Transportation	819,301	-	-	819,301
Economic opportunity and assistance	3,074	-	-	3,074
Home and community services	1,418,365	-	-	1,418,365
Employee benefits	197,465	-	-	197,465
Capital outlay	-	82,074	-	82,074
Debt service -				
Principal	50,000	-	-	50,000
Interest	42,855	-	-	42,855
Total expenditures	4,105,430	82,074	-	4,187,504
Change in fund balance	(410,293)	(82,074)	-	(492,367)
Fund balance, beginning of year	873,945	101,759	-	975,704
Fund balance, end of year	\$ 463,652	\$ 19,685	\$ -	\$ 483,337

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, 2015

Net Change in Fund Balance - Governmental Funds \$ (492,367)

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	\$ 221,022	
Depreciation expense	<u>(168,288)</u>	52,734

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. 219,725

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.

Repayment of bond principal		50,000
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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	823	
Accrued interest costs	<u>1,072</u>	<u>1,895</u>

Net Change in Net Position - Governmental Activities \$ (168,013)

The accompanying notes are an integral
part of this statement.

INCORPORATED VILLAGE OF MASTIC BEACH
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
MAY 31, 2015

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 373
LIABILITIES	
Due to governmental funds	\$ 373

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, 2015

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 and Changes in Net Position 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 grants.

The Statement of Activities and Changes in Net Position 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:

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.

Capital Fund - used to account for financial resources to be used for the acquisition, construction or resurfacing of major capital facilities and equipment.

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, 2015.

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.

C. Measurement focus and basis of accounting

Basis of accounting refers to when revenues and expenditures/expenses and the related assets, deferred outflows of resources, liabilities and deferred inflows of resources, 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>
Buildings and building improvements	\$5,000	Straight line	20-40 years
Furniture 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 and Balance Sheet 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 or fund balance 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

In addition to liabilities, the Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

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.

O. Fund balance

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 has no nonspendable fund balance as of May 31, 2015.
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, 2015 totaled \$19,685 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, 2015.
4. Assigned - Includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed, except for tax stabilization agreements. The intent can be expressed by the Board or through the Board delegating this responsibility to the Village administration through the budgetary process. The classification also includes the remaining positive fund balances for all governmental funds except for the General Fund. Amounts appropriated for the subsequent year totaling \$350,000 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 does not meet the definition of the above four classifications and are deemed to be available for general use by the Village. The unassigned classification also includes negative residual fund balances of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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.

P. 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.

Q. 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, deferred outflows of resources, liabilities and deferred inflows of resources, 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 Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit at an amount greater than 100 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	\$ 534,776	\$ 537,926	Insured (FDIC)/Collateralized
Capital Fund	21,713	21,713	Insured (FDIC)
Robin Hood Relief Fund	6,029	5,106	Insured (FDIC)
Fiduciary Fund	13,086	373	Insured (FDIC)
	<u>\$ 575,604</u>	<u>\$ 565,118</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 or more in securities of a single issuer.

As of May 31, 2015, the Village did not have any investments subject to credit risk, interest-rate risk, or concentration of credit risk.

5. Interfund balances and activity

Interfund receivable and payable balances as of May 31, 2015 primarily represent monies reimbursed subsequent to year-end. Balances at year-end are stated as follows:

	Interfund	
	Receivable	Payable
General Fund	\$ 2,401	\$ -
Capital Projects Fund	-	2,028
Trust and Agency Fund	-	373
Totals	<u>\$ 2,401</u>	<u>\$ 2,401</u>

6. Capital assets

Capital asset balances and activity for the year ended May 31, 2015 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	\$ 1,007,498	\$ 74,455	\$ -	\$ 1,081,953
Furniture and equipment	720,059	146,567	-	866,626
Infrastructure	46,387	-	-	46,387
Total depreciable capital assets	1,773,944	221,022	-	1,994,966
Less accumulated depreciation:				
Buildings and building improvements	42,226	38,051	-	80,277
Furniture and equipment	208,053	129,310	-	337,363
Infrastructure	464	927	-	1,391
Total accumulated depreciation	250,743	168,288	-	419,031
Total capital assets, net	\$ 1,523,201	\$ 52,734	\$ -	\$ 1,575,935

Depreciation expense was charged to governmental functions as follows:

General government	\$ 66,900
Public safety	27,613
Transportation	73,775
	<u>\$ 168,288</u>

7. Long-term debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Bonds payable	\$ 995,000	\$ -	\$ 50,000	\$ 945,000	\$ 60,000
Compensated absences	6,100	-	823	5,277	1,000
Total long-term liabilities	\$1,001,100	\$ -	\$ 50,823	\$ 950,277	\$ 61,000

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.

Outstanding indebtedness aggregated \$945,000. All \$945,000 of the outstanding indebtedness was subject to the constitutional debt limit and represented approximately 1.8% 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 5/31/15
Serial bonds	11/15/2013	11/15/2028	2.000-4.125%	\$ 945,000

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

Year Ended May 31,	Principal	Interest	Total
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	60,000	22,624	82,624
2021-2025	270,000	85,995	355,995
2026-2029	375,000	23,859	398,859
	<u>\$ 945,000</u>	<u>\$ 235,536</u>	<u>\$ 1,180,536</u>

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

Interest paid	\$ 42,855
Less interest accrued in the prior year	(13,985)
Plus interest accrued in the current year	12,913
Interest expense	<u>\$ 41,783</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, whichever is less, with some exceptions. Local governments can exceed the tax levy limit by a 60% vote of the governing body, or by local law. In July 2015, the Real Property Tax Cap Laws were extended to June 15, 2020.

D. Pending investigations

The Village is currently conducting investigations regarding certain matters. As of the date of this report those investigations have not been concluded. The Village Administration believes that any findings related to those investigations would not result in a material change to the financial statements as they are currently presented within this report.

9. **Future accounting standards**

The Village has adopted all current statements of GASB that are applicable. The following are changes in accounting standards that will be implemented when required:

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. 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.

GASB has issued Statement No. 72, Fair Value Measurement and Application, which addresses accounting and financial reporting issues related to fair value measurements. The Statement will require disclosures regarding the level of fair value hierarchy and valuation techniques. It will also require additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). The Village currently does not possess any investments that would require fair value disclosure. The provisions of this Statement would be necessary for fiscal year ending May 31, 2016.

GASB has issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles ("GAAP") for State and Local Governments, which identifies the hierarchy of generally accepted accounting principles, by reducing the hierarchy to two categories of authoritative GAAP and the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specific within a source of authoritative GAAP. The Village is currently studying the Statement and plans on adoption when required, which will be for the year ending May 31, 2016.

GASB has issued Statement No. 77, Tax Abatement Disclosures, which will required disclosure regarding tax abatement agreements, specifically: a brief description, the gross dollar amount of taxes abated, and commitments made by the government, other than to abate taxes, as part of a tax abatement agreement. The Village is currently studying the Statement and plans on adoption when required, which will be for the year ending May 31, 2016.

10. Subsequent events

The Village has evaluated subsequent events occurring after the Statement of Net Position through the date of November 23, 2015 which is the date the financial statements were available to be issued noting no matters requiring disclosure.

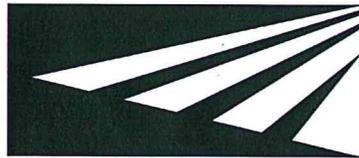
INCORPORATED VILLAGE OF MASTIC BEACH
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2015

REVENUES	<u>Adopted Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Year-End Encumbrances</u>	<u>Variance</u>
Real property taxes	\$ 1,146,008	\$ 1,146,008	\$ 925,562		\$ (220,446)
Other tax items	12,000	12,000	26,644		14,644
Non-property tax items	250,000	250,000	247,529		(2,471)
Departmental income	1,745,960	1,745,960	1,815,702		69,742
Fines and forfeitures	125,000	125,000	115,055		(9,945)
Use of money and property	2,500	2,500	2,019		(481)
Licenses and permits	230,000	230,000	285,276		55,276
State and local aid	324,000	324,000	268,722		(55,278)
Miscellaneous revenues	-	-	8,628		8,628
Total revenues	<u>3,835,468</u>	<u>3,835,468</u>	<u>3,695,137</u>		<u>(140,331)</u>
EXPENDITURES					
General government	1,085,240	1,076,258	1,161,666	\$ -	(85,408)
Public safety	473,152	475,630	412,704	-	62,926
Transportation	818,265	818,265	819,301	-	(1,036)
Economic opportunity and assistance	15,000	15,000	3,074	-	11,926
Culture and recreation	6,500	6,500	-	-	6,500
Home and community services	1,685,561	1,685,561	1,418,365	-	267,196
Employee benefits	209,100	220,560	197,465	-	23,095
Debt service -					
Principal	50,000	50,000	50,000	-	-
Interest	42,855	42,855	42,855	-	-
Total expenditures	<u>4,385,673</u>	<u>4,390,629</u>	<u>4,105,430</u>	<u>\$ -</u>	<u>285,199</u>
Change in fund balance	(550,205)	(555,161)	(410,293)		<u>\$ 144,868</u>
Fund balance, beginning of year	<u>873,945</u>	<u>873,945</u>	<u>873,945</u>		
Fund balance, end of year	<u>\$ 323,740</u>	<u>\$ 318,784</u>	<u>\$ 463,652</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, 2015, and the related notes to financial statements which collectively comprise the Village's financial statements, and have issued our report thereon dated November 23, 2015.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses [2015-01 through 2015-05].

NawrockiSmith

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies [2015-06 through 2015-10].

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*.

We noted certain matters that we reported to management of the Village in a separate letter dated November 23, 2015.

The Village's Response to Findings

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

November 23, 2015
Melville, New York



INCORPORATED VILLAGE OF MASTIC BEACH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED MAY 31, 2015

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. Five (5) material weaknesses in internal control over financial reporting were disclosed during the audit of the financial statements.
3. Five (5) significant deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements.
4. No instances of noncompliance material to the financial statements were disclosed during the audit of the financial statements.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

During the year ended May 31, 2015, the Incorporated Village of Mastic Beach (the "Village") experienced significant turnover in the financial administration function (Treasurer and Deputy Treasurer positions) as well as the Board of Trustees. Since the new Mayor and administration have been installed there has been a tremendous movement to correct prior financial practices and promote effective and efficient policies, practices and procedures throughout the Village. The findings that follow are a result of the audit being conducted for the fiscal year June 1, 2014 through May 31, 2015 and does not constitute current practices by the Village. Please see the management's response to each finding for steps that have been taken by the new Mayor and administration to correct and current status as of the date of these financial statements (which is not inclusive of any input from the former Treasurer who did not respond to several requests).

INTERNAL CONTROL DEFICIENCIES:

MATERIAL WEAKNESSES

Finding: 2015-01

Criteria: We considered the Village's procedures for the financial reporting and year-end closeout process.

Condition: The Village lacks formal policies and procedure that provide sufficient internal control to ensure that misstatements in financial reporting are detected and corrected in a timely manner.

Effect: Numerous adjusting entries for fiscal 2013-14 were proposed and during our audit we noted said adjustments were not made in fiscal 2014-15 as required. In addition, there were several adjusting entries proposed to ensure the financial statements were not materially misstated at year-end.

Cause: The Village did not review the trial balance that was prepared prior to audit.

Recommendation: The Village should develop formal policy and procedures over the year-end close out process, to ensure the Village's financial reporting is accurate, and that internal controls be strengthened to ensure that misstatements are detected and corrected in a timely manner.

Response: The Village hired a new full-time Treasurer and Deputy Treasurer who have commenced drafting policies and procedures related to the financial closeout process.

INCORPORATED VILLAGE OF MASTIC BEACH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED MAY 31, 2015

Finding: 2015-02

Criteria: We considered the Village's internal control over bank reconciliations.

Condition: The Village failed to prepare bank reconciliations in a timely manner for a number of months during the fiscal year, including the year-end bank reconciliations.

Effect: The Village's assurance over the recording of cash balances were not accurate.

Cause: The Village did not prepare bank reconciliations within a reasonable time period after the month ended.

Recommendation: The Village should develop formal policies and procedures over the bank reconciliation process to ensure that bank reconciliations are prepared and reviewed in a timely manner.

Response: The Village hired a new full-time Treasurer and Deputy Treasurer who have implemented a new process for bank reconciliations to ensure they are performed in a timely manner.

Finding: 2015-03

Criteria: We considered the Village's process for reconciling property tax receivables.

Condition: The Village did not reconcile the amount of property taxes owed to the Village on a regular basis between the property tax collection software and the general ledger.

Effect: The amount of property taxes due to the Village was not properly reflected on the Village's general ledger during the year, causing an inability of the Village to forecast its cash flows properly.

Cause: The Village does not have a formal policy and procedure to ensure that property taxes due to the Village are reconciled regularly to the property tax collection software.

Recommendation: The Village should develop formal policies and procedures to ensure that property taxes owed to the Village are reconciled regularly, and recorded to the general ledger.

Response: The Village hired a new full-time Treasurer and Deputy Treasurer who have commenced implementing procedures to reconcile property taxes receivable.

Finding: 2015-04

Criteria: We considered the Village's internal control over the recording of expenditures to the general ledger.

Condition: The Village recorded numerous expenditures to an incorrect appropriation code.

Effect: Expenditures were recorded to the wrong appropriation code, causing the Village to have inaccurate information throughout the year, relating to budget and actual comparisons.

INCORPORATED VILLAGE OF MASTIC BEACH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED MAY 31, 2015

Cause: When submitting vouchers for payment, the voucher does not indicate what appropriation code should be charged for the expenditure. This results in the accounts payable clerk having to make his/her own determination as to what appropriation code should be charged when entering into the general ledger.

Recommendation: The Village should ensure that all vouchers indicate the correct appropriation code to be charged for each expenditure, prior to the approval of the voucher for payment. This will ensure that budget and actual comparisons are accurate and that the appropriate amount of appropriation is available within that code, limiting budget overages.

Response: The Village hired a new full-time Treasurer and Deputy Treasurer who have already implemented this recommendation.

Finding: 2015-05

Criteria: We reviewed a sample of expenditures to determine if the proper supporting documentation was maintained, and that the expenditure was properly recorded.

Condition: The Village failed to retain certain contracts for services, and was unable to locate supporting documentation.

Effect: For the items missing, it is unknown if the Village recorded expenditures appropriately.

Cause: The Village did not maintain the appropriate supporting documents for certain Village expenditures.

Recommendation: The Village should ensure that all supporting documentation (i.e. quotes, bids, contracts, invoices, etc.) are maintained within the Village's files in a manner that allows them to be easily produced when requested, and is in accordance with the applicable record retention laws.

Response: The Village has revised their procedures for procurement and are currently maintaining the appropriate documentation for all expenditures.

SIGNIFICANT DEFICIENCIES

Finding: 2015-06

Criteria: We evaluated the Village's segregation of duties over the bank reconciliation process.

Condition: The Village utilizes the same personnel that writes checks and prepares deposits to prepare the monthly bank reconciliations, without evidence of mitigating controls (i.e. evidence of review of the bank reconciliation).

Effect: Internal control over the bank reconciliation process could be compromised.

Cause: The Village does not have formal policies and procedures over the bank reconciliation process.

INCORPORATED VILLAGE OF MASTIC BEACH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED MAY 31, 2015

Recommendation: The Village should develop policies and procedures that ensure someone independent of the bank reconciliation preparation process reviews and approves the monthly bank reconciliations, and that review is evidenced by signature and date.

Response: The Village has hired a new full-time Treasurer and Deputy Treasurer who have revised the duties regarding the preparation and review of bank reconciliations in the new fiscal year.

Finding: 2015-07

Criteria: We evaluated the Village's process over transfers from and between bank accounts.

Condition: The Village does not have a formal process where transfers made from and between bank accounts are reviewed by someone other than the Treasurer prior to the transfer being made.

Effect: Internal controls over cash transfers are considered inadequate.

Cause: The Village has not developed a formal procedure documenting the bank transfer process.

Recommendation: The Village should develop formal policies and procedures that outline the appropriate steps and approvals necessary for transferring cash from and between bank accounts. The process should ensure that another member of the Village's administration approve the request to transfer cash from and between the Village's bank accounts.

Response: The Village has hired a new full-time Treasurer and Deputy Treasurer and is in the process of revising the process for bank transfers.

Finding: 2015-08

Criteria: We reviewed the accuracy of the Village's due from/to accounts.

Condition: The Village does not properly record payroll journal entries to ensure that due from/to accounts are settled correctly.

Effect: The Village's general ledger is inaccurately stated.

Cause: The Village does not review balances remaining in due from/to accounts on a regular basis.

Recommendation: The Village should review entries recorded to due from/to accounts on a regular basis to ensure that amounts transferred between funds to settle remaining due from/to balances are recorded correctly. Any remaining balances in due from/to accounts should be identified and explained, and interest should be charged to the respective funds where appropriate.

INCORPORATED VILLAGE OF MASTIC BEACH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED MAY 31, 2015

Response: The Village hired a new full-time Treasurer and Deputy Treasurer who have created procedures to monitor due from/to accounts and the proper process to clear them.

Finding: 2015-09

Criteria: We reviewed the Villages oversight of the accounting function.

Condition: The Village's Treasurer and Deputy Treasurer terms both ended on April 6, 2015.

Effect: Oversight of the accounting function lacked the appropriate review during the year.

Cause: Insufficient and inefficient oversight of the accounting function and general ledger from the Village's former Treasurer and former Deputy Treasurer for most of the year.

Recommendation: The Village should ensure that someone of appropriate skill, knowledge and experience reviews the general ledger on a regular basis to ensure that misstatements may be detected and corrected in a timely manner.

Response: The Village hired a new full-time Treasurer and Deputy Treasurer and the current Village Board and administration are confident that the new personnel will maintain continuity within the Village's accounting function and will correct the lack of oversight.

Finding: 2015-10

Criteria: We reviewed certain expenditures and compared them to the Village's purchasing policy.

Condition: The Village purchasing policy in effect during the fiscal year required purchase orders to be used for certain purchases over \$500.

Effect: The Village does not utilize purchase orders when required.

Cause: Inadequate oversight over the purchasing process caused a number of disbursements we reviewed to lack a purchase order when necessary.

Recommendation: The Village should develop a process whereby someone independent of the person placing the order reviews the purchasing documents to ensure that Village policy is being followed.

Response: The Village has revised their procedures for procurement and currently have adequate oversight over the approval and receipt of goods. The Village also hired a new full-time Treasurer and Deputy Treasurer to ensure proper oversight of the Village's purchasing policy.