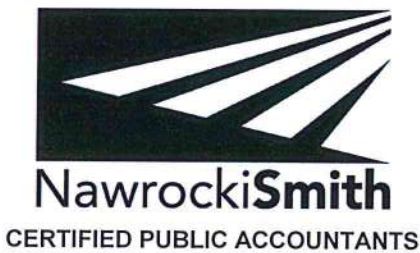


**INCORPORATED VILLAGE OF ISLANDIA**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**AS OF DECEMBER 31, 2015**  
**TOGETHER WITH AUDITOR'S REPORTS**

**INCORPORATED VILLAGE OF ISLANDIA**  
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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of the  
Incorporated Village of Islandia:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund and fiduciary funds of the Incorporated Village of Islandia (the "Village"), as of and for the year ended December 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 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and fiduciary funds of the Incorporated Village of Islandia, as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 3, as well as Management's Discussion and Analysis ("MD&A"), in 2015 the Village adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Subsequent to the Measurement Date*. The adoption of these statements resulted in a prior-period adjustment. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and pension related information, on pages 3-13 and 41-43, 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 basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2016, 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  
June 18, 2016





**INCORPORATED VILLAGE OF ISLANDIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

The following is a discussion and analysis of the Incorporated Village of Islandia's (the "Village") financial performance for the fiscal year ended December 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 December 31, 2015, the Village reflected total assets of \$9,578,927, total deferred outflows of resources of \$109,246, total liabilities of \$1,325,428 and net position of \$8,362,745 in the Village-wide financial statements.
- As of December 31, 2015, the General Fund had a total fund balance of \$109,543, as compared to a total fund balance of \$276,983 in 2014, for a decrease in fund balance of \$167,440.
- As described in Note 3 to the financial statements, "Changes in Accounting Principles", the Village has implemented the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pension, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, for the year ended December 31, 2015. The implementation of these statements resulted in a restatement to the opening net position as of January 1, 2015. Prior year balances in MD&A have been updated for comparison purposes.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts: required supplementary information, which includes management's discussion and analysis (this section) and the basic financial statements. 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 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.

<b>Table A-1: Major Features of the Village-Wide and Fund Financial Statements</b>			
	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"> <li>• Statement of Net Position</li> <li>• Statement of Activities and Change in Net Position</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, and Changes in Fund Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> </ul>
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 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 Change 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, operating grants, and capital 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 5.8% from the year before to \$8,362,745 as detailed in Tables A-2 and A-3.

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

	<u>12/31/15</u>	(As Restated) <u>12/31/14</u>	<u>\$ Change</u>	<u>% Change</u>
Current assets	\$ 1,147,802	\$ 1,284,930	\$ (137,128)	(10.7)
Capital assets, net	<u>8,431,125</u>	<u>8,935,525</u>	<u>(504,400)</u>	(5.6)
Total assets	<u>\$ 9,578,927</u>	<u>\$ 10,220,455</u>	<u>\$ (641,528)</u>	(6.3)
Deferred outflows of resources	<u>\$ 109,246</u>	<u>\$ 75,245</u>	<u>\$ 34,001</u>	45.2
Current liabilities	\$ 1,038,966	\$ 1,119,975	\$ (81,009)	(7.2)
Noncurrent liabilities	<u>286,462</u>	<u>302,619</u>	<u>(16,157)</u>	(5.3)
Total liabilities	<u>\$ 1,325,428</u>	<u>\$ 1,422,594</u>	<u>\$ (97,166)</u>	(6.8)
Net position:				
Net investment in capital assets	\$ 8,201,125	\$ 8,595,525	\$ (394,400)	(4.6)
Restricted	50,373	50,050	323	0.6
Unrestricted	<u>111,247</u>	<u>227,531</u>	<u>(116,284)</u>	(51.1)
Total net position	<u>\$ 8,362,745</u>	<u>\$ 8,873,106</u>	<u>\$ (510,361)</u>	(5.8)

### **Changes in Net Position**

The Village's fiscal year 2015 revenues totaled \$2,893,141, which is 17.3% less than fiscal year 2014 (see Table A-3). Real property taxes and charges for services, accounted for 90.0% of total revenues (see Table A-4). The remainder came from other tax items, non-property tax items, use of money and property, state aid and other miscellaneous sources.

- Real property taxes decreased by 5.7% due to slight changes in assessed values as a result of tax grievances.
- Other tax items increased by 70.2% due to an increase in interest and penalties revenue related to property tax collection.
- Capital grants decreased by 100.0% due to a decrease in the apportionment from the New York State Consolidated Highway Improvement Program ("CHIPS").
- Miscellaneous revenues decreased by 96.8% as a result of the Village not receiving donations in fiscal 2015, that were received in fiscal 2014.

The Village's fiscal year 2015 expenses totaled \$3,403,502, which is 12.4% greater than fiscal year 2014 (see Table A-3). General government, public safety, transportation, and home and community services accounted for 96.0% of expenditures. (See Table A-6).

- General government related expenses increased by 7.2% as a result of greater than anticipated maintenance and supplies cost in 2015.

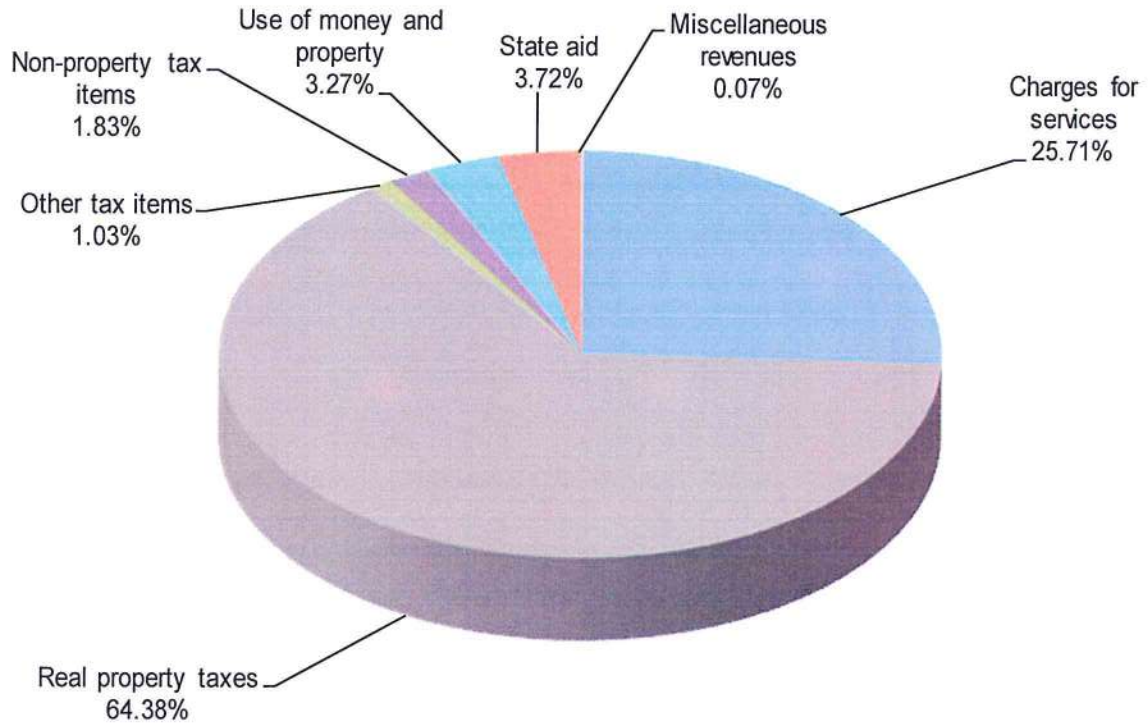


- Public safety related expense increased by 30.7% as a result of hiring additional personnel.
- Transportation related expenses increased by 7.1% as a result of greater than anticipated contractual expenses in 2015.
- Culture and recreation related expenditures increased by 29.2% as a result of greater than anticipated recreation trip costs during 2015.
- Home and community services related expenditures increased by 20.7% as the Village incurred increased expenses related to refuse and garbage removal.
- Debt service - interest expense decreased by 43.2% as a result of ongoing debt service for the 2012 serial bonds.

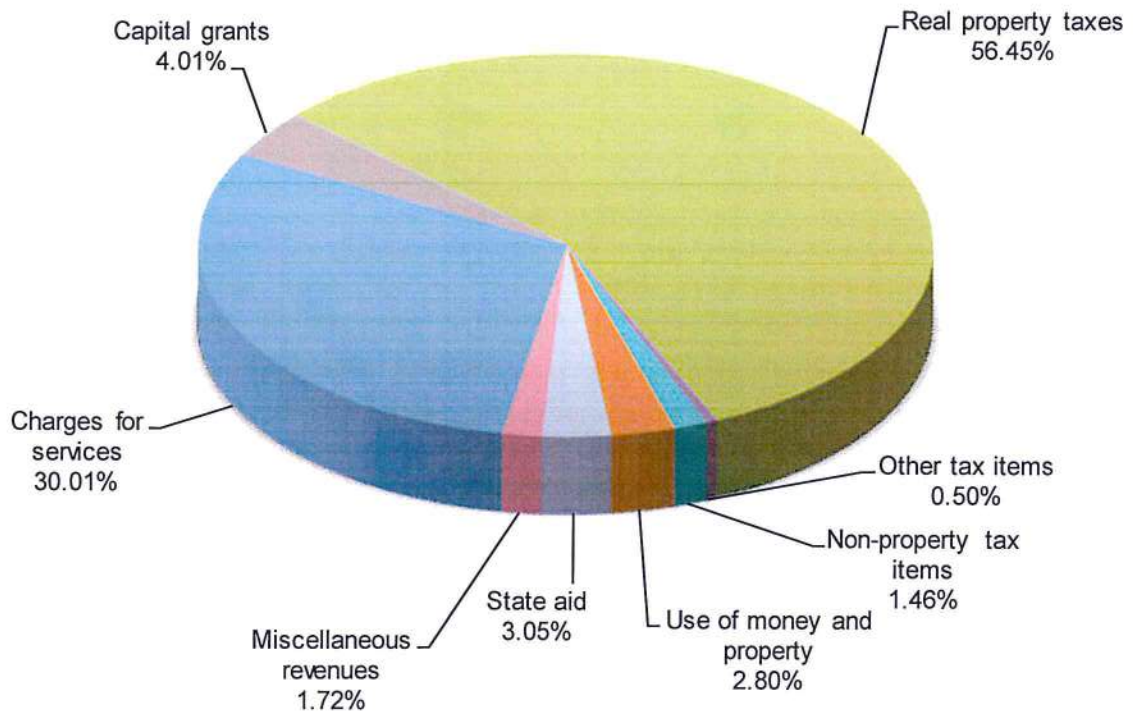
**Table A-3: Changes in Net Position from Operating Results - Governmental Activities Only**

	<u>12/31/15</u>	<u>12/31/14</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Revenues</b>				
Program revenues:				
Charges for services	\$ 743,964	\$ 1,050,213	\$ (306,249)	(29.2)
Capital grants	-	140,467	(140,467)	(100)
General revenues:				
Real property taxes	1,862,479	1,975,897	(113,418)	(5.7)
Other tax items	29,705	17,456	12,249	70.2
Non-property tax items	52,876	51,167	1,709	3.3
Use of money and property	94,680	97,963	(3,283)	(3.4)
State aid	107,512	106,579	933	0.9
Miscellaneous revenues	<u>1,925</u>	<u>60,353</u>	<u>(58,428)</u>	(96.8)
Total revenues	<u>2,893,141</u>	<u>3,500,095</u>	<u>(606,954)</u>	(17.3)
<b>Expenses</b>				
General government	1,530,961	1,427,815	103,146	7.2
Public safety	644,325	493,003	151,322	30.7
Health	60,000	60,000	-	-
Transportation	691,691	646,097	45,594	7.1
Economic opportunity and assistance	15,508	13,874	1,634	11.8
Culture and recreation	62,344	48,241	14,103	29.2
Home and community services	388,588	322,030	66,558	20.7
Debt service - interest	<u>10,085</u>	<u>17,758</u>	<u>(7,673)</u>	(43.2)
Total expenses	<u>3,403,502</u>	<u>3,028,818</u>	<u>374,684</u>	12.4
Change in net position	<u>\$ (510,361)</u>	<u>\$ 471,277</u>	<u>\$ (981,638)</u>	(208.3)

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

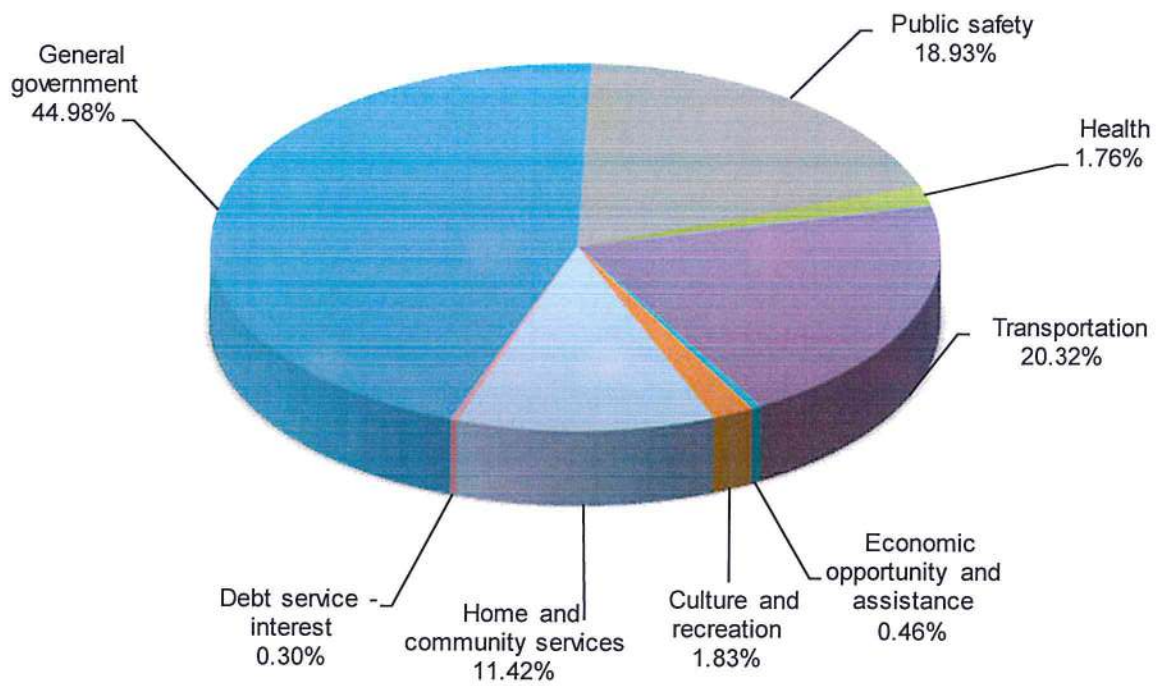


**Table A-5: Sources of Revenues for Fiscal Year 2014**

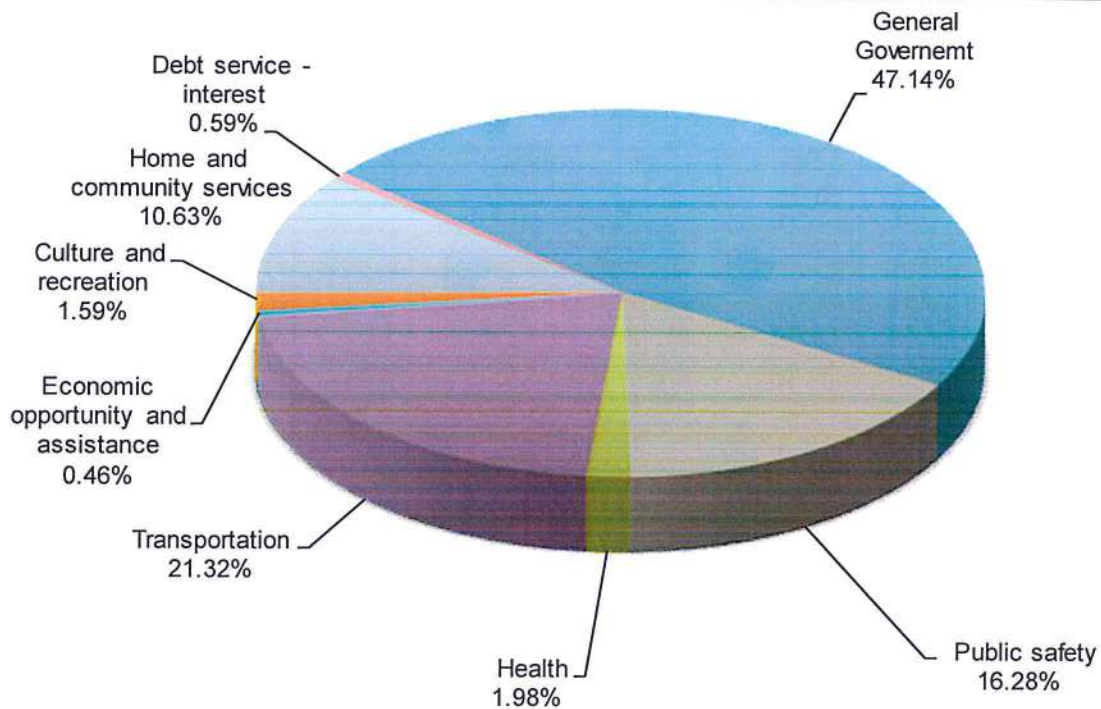




**Table A-6: Expenses for Fiscal Year 2015**



**Table A-7: Expense for Fiscal Year 2014**



## **Governmental Activities**

Revenues for the Village's governmental activities were consistent with the Village-wide operating results. Village-wide expenditures exceed governmental expenditures due principally to depreciation expense.

The primary program activities of the Village included:

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

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

## **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 \$1,284,930 in 2014 to \$1,147,802 in 2015. The overall decrease is a result of a decrease in cash.
- Total liabilities increased from \$1,007,947 in 2014 to \$1,038,259 in 2015. This increase is primarily due to a large increase in accounts payable and accrued expenses, offset by a decrease in unearned revenue.
- Governmental funds revenues decreased from to \$3,460,095 in 2014 to \$2,893,141 in 2015. The decrease is mainly a result of decreased departmental income, licenses and permits, fines and forfeitures and miscellaneous revenue. These revenue categories change depending on the needs of the Village residents.
- Governmental funds expenditures increased from \$2,926,988 in 2014 to \$3,060,581 in 2015. The increase is mainly a result of general government, public safety, culture and recreation, and home and community expenses. These expenditure categories resulting in an increase are insurance, maintenance, and outside engineering.

At December 31, 2015, the Village's governmental funds had a combined fund balance of \$109,543, which is a decrease of \$167,440, from December 31, 2014. 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>12/31/15</u>	<u>12/31/14</u>	<u>\$ Change</u>	<u>% Change</u>
<b>General Fund</b>				
Restricted	\$ 50,373	\$ 50,050	\$ 323	0.6
Unassigned	<u>59,170</u>	<u>226,933</u>	<u>(167,763)</u>	(73.9)
Total General Fund	<u>\$ 109,543</u>	<u>\$ 276,983</u>	<u>\$ (167,440)</u>	(60.5)

No other significant variances are reflected in the fund financial statements for fiscal 2015.

### **Budgetary Highlights**

Reference is made to the budgetary schedule on page 41 which presents budget and actual results for the Village's General Fund.

- Actual revenues in the General Fund were greater than the final budgeted revenues by \$43,817, primarily due to a higher than projected amount of fines and forfeitures, use of money and property, departmental income, and non-property tax items.
- Actual expenditures in the General Fund were higher than anticipated by \$211,257 due to higher than anticipated spending in general government, public safety and home and community services.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

By the end of 2015, the Village had invested \$8,431,125, net of depreciation, in a broad range of capital assets.

**Table A-9: Capital Assets (net of depreciation)**

	<u>12/31/15</u>	<u>12/31/14</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 5,450,000	\$ 5,450,000	\$ -	-
Buildings and improvements	620,857	643,671	(22,814)	(3.5)
Furniture and equipment	85,346	115,485	(30,139)	(26.1)
Infrastructure	<u>2,274,922</u>	<u>2,726,369</u>	<u>(451,447)</u>	(16.6)
Totals	<u>\$ 8,431,125</u>	<u>\$ 8,935,525</u>	<u>\$ (504,400)</u>	(5.6)

#### **Long-Term Liabilities**

At year-end, the Village had \$286,462 in general obligation bonds and other long-term debt. During the year, the Village paid \$110,000 of principal on its outstanding bonds. Long-term liabilities decreased \$127,157 in 2015 due to scheduled debt service payments and a slight reduction in the Village's proportionate share of the net pension liability.

The Village's current outstanding bonded indebtedness was \$230,000 as of December 31, 2015.

Pursuant to New York State Local Finance Law §104, the Village's outstanding long-term debt must be no more than 7% of the five-year average full valuation of real property. This is also known as the "constitutional debt limit". At December 31, 2015, the Village was in compliance with this limit.

In accordance with GASB Statement No. 68, the Village has accrued \$51,839 for their proportionate share of the New York State Local Retirement Systems net pension liability. The Villages make a yearly payment for their proportionate share of the pension's funds expense. See Note 9, in the notes to financial statements for more detailed information.

**Table A-10: Outstanding Long-Term Liabilities**

	<u>12/31/15</u>	<u>12/31/14</u>	<u>\$ Change</u>	<u>% Change</u>
Bonds payable	\$ 230,000	\$ 340,000	\$ (110,000)	(32.4)
Net pension liability	51,839	69,341	(17,502)	(25.2)
Compensated absences	<u>4,623</u>	<u>4,278</u>	<u>345</u>	8.1
Totals	<u>\$ 286,462</u>	<u>\$ 413,619</u>	<u>\$ (127,157)</u>	(30.7)

#### **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.
- The Village's elected and appointed officials considered many factors when setting the year 2016 budget, tax rates, and fees that will be charged. One of those factors is the economy. The Village, located in Suffolk County, NY generally has more favorable financial statistical data than the County or New York State. These factors provide a stable tax environment enabling the Village to reliably project tax revenue.
- 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 limitation does not provide exclusion for debt service on general obligations issued by the Village. Accordingly, the Village has taken the appropriate steps to opt out of the applicable cap.
- Changes in the New York State Employees' Retirement System assumed rate of return and required employer contribution rates, could affect the amount of the Town's net pension liability on their Statement of Net Position. The assumed rate of return is currently 7.5% however, in September 2015 the New York State Comptroller lowered the assumed rate of return of 7.0%. These changes will impact the Town's current resource measurement as well as their economic resource measurement.



### **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 Islandia  
Village Hall  
100 Old Nichols Road  
Islandia, New York 11749  
(631) 348-1133

**INCORPORATED VILLAGE OF ISLANDIA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2015**

**ASSETS**

Current assets:	
Cash:	
Unrestricted	\$ 984,260
Restricted	50,373
Receivables:	
Property taxes	59,628
Accounts receivable	41,690
Due from fiduciary funds	11,851
Noncurrent assets:	
Non-depreciable capital assets	5,450,000
Depreciable capital assets, net	<u>2,981,125</u>
Total assets	<u>9,578,927</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Pension related	<u>109,246</u>
-----------------	----------------

**LIABILITIES**

Current liabilities:	
Payables:	
Accounts payable and accrued expenses	131,761
Accrued interest payable	707
Unearned revenue	828,065
Due to employees' retirement system	78,433
Noncurrent liabilities due within one year:	
Bonds payable	115,000
Compensated absences	1,000
Noncurrent liabilities due in more than one year:	
Bonds payable	115,000
Net pension liability - proportionate share	51,839
Compensated absences	<u>3,623</u>
Total liabilities	<u>1,325,428</u>

**NET POSITION**

Net investment in capital assets	8,201,125
Restricted:	
Park Improvements	50,373
Unrestricted	<u>111,247</u>
Total net position	<u><u>\$ 8,362,745</u></u>

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



**INCORPORATED VILLAGE OF ISLANDIA**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges for</u> <u>Services, Fees,</u> <u>Fines and Forfeitures</u>	<u>Net (Expenses)</u> <u>Revenues and Change</u> <u>in Net Position</u>
			<u>Primary</u> <u>Government</u>
Functions and programs:			
Primary government -			
General government	\$ 1,530,961	\$ 26,074	\$ (1,504,887)
Public safety	644,325	578,915	(65,410)
Health	60,000	580	(59,420)
Transportation	691,691	-	(691,691)
Economic opportunity and assistance	15,508	-	(15,508)
Culture and recreation	62,344	5,591	(56,753)
Home and community services	388,588	132,804	(255,784)
Debt service - interest	10,085	-	(10,085)
Total primary government	<u>\$ 3,403,502</u>	<u>\$ 743,964</u>	<u>(2,659,538)</u>
General revenues:			
Real property taxes			1,862,479
Other tax items			29,705
Non-property tax items			52,876
Use of money and property			94,680
State aid			107,512
Miscellaneous revenues			1,925
Total general revenues			<u>2,149,177</u>
Change in net position			<u>(510,361)</u>
Total net position, beginning of year, as restated (see Note 12)			<u>8,873,106</u>
Total net position, end of year			<u>\$ 8,362,745</u>

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

**INCORPORATED VILLAGE OF ISLANDIA**  
**BALANCE SHEET - GOVERNMENTAL FUND**  
**DECEMBER 31, 2015**

	<u>Major Fund</u>
	<u>General</u>
<b>ASSETS</b>	
Cash:	
Cash	\$ 984,260
Restricted cash	50,373
Property taxes receivable	59,628
Accounts receivable	41,690
Due from fiduciary funds	11,851
	<hr/>
Total assets	\$ 1,147,802
	<hr/>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 131,761
Unearned revenue	828,065
Due to employees' retirement system	78,433
	<hr/>
Total liabilities	1,038,259
	<hr/>
<b>FUND BALANCE</b>	
Fund balance:	
Restricted	50,373
Unassigned	59,170
	<hr/>
Total fund balance	109,543
	<hr/>
Total liabilities and fund balance	\$ 1,147,802
	<hr/>

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



**INCORPORATED VILLAGE OF ISLANDIA**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2015**

Total Fund Balance - Governmental Funds	\$ 109,543
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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:

Non-depreciable	\$ 5,450,000	
Depreciable	9,788,212	
Accumulated depreciation	<u>(6,807,087)</u>	8,431,125

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 governmental fund financial statements. However, these liabilities are included in the Statement of Net Position:

Bonds payable	(230,000)	
Compensated absences	<u>(4,623)</u>	(234,623)

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.

(707)

Pension related items are not reported in the governmental fund financial statements since they are not related to current financial resources. The pension related items included in the governmental activities consist of the following:

Net pension liability - proportionate share	(51,839)	
Deferred outflows of resources	<u>109,246</u>	<u>57,407</u>

Net Position - Governmental Activities	<u><u>\$ 8,362,745</u></u>
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The accompanying notes to financial statements are an integral  
part of this statement.

**INCORPORATED VILLAGE OF ISLANDIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Major Fund</u>
	<u>General</u>
<b>REVENUES</b>	
Real property taxes	\$ 1,862,479
Non-property tax items	82,581
Departmental income	48,098
Use of money and property	94,680
Licenses and permits	116,951
Fines and forfeitures	578,915
State aid	107,512
Miscellaneous revenues	1,925
	<hr/>
Total revenues	2,893,141
	<hr/>
<b>EXPENDITURES</b>	
Current-	
General government	1,177,994
Public safety	361,940
Health	60,000
Transportation	557,653
Economic opportunity and assistance	15,508
Culture and recreation	62,344
Home and community services	393,763
Employee benefits	310,973
Debt service -	
Principal	110,000
Interest	10,406
	<hr/>
Total expenditures	3,060,581
	<hr/>
Change in fund balance	(167,440)
Fund balance, beginning of year	276,983
	<hr/>
Fund balance, end of year	\$ 109,543
	<hr/> <hr/>

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



**INCORPORATED VILLAGE OF ISLANDIA**  
**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

Net Change in Fund Balance - Governmental Funds	\$	(167,440)
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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 depreciation expense exceeds capital outlay in the current period is:

Capital outlay	\$ 38,890		
Depreciation expense	<u>(543,290)</u>		(504,400)

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		110,000
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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	(345)		
Accrued interest costs	321		
Pension related	<u>51,503</u>		<u>51,479</u>

Change in Net Position - Governmental Activities	\$	<u>(510,361)</u>
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The accompanying notes to financial statements are an integral  
part of this statement.

**INCORPORATED VILLAGE OF ISLANDIA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2015**

	<b><u>Agency Funds</u></b>
<b>ASSETS</b>	
Cash	\$ 370,675
Total assets	<u>\$ 370,675</u>
<b>LIABILITIES</b>	
Due to other funds	\$ 11,851
Deposits and other liabilities	<u>358,824</u>
Total liabilities	<u>\$ 370,675</u>

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



**INCORPORATED VILLAGE OF ISLANDIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**1. Summary of significant accounting policies**

The financial statements of the Incorporated Village of Islandia (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 Village of Islandia, which was incorporated in 1985, 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 highway, emergency services, water, justice court, building and zoning, and other general services.

The financial reporting entity of the Village consists of (a) the primary government which is the Incorporated Village of Islandia, (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 non-exchange 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 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:

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

The Village does not possess any funds which it considers to be non-major as of December 31, 2015.

- b. 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. Non-exchange transactions, in which the Village gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Fixed assets and long-term liabilities related to these activities are recorded within the funds.

D. Property taxes

Real property taxes are levied annually no later than January 1<sup>st</sup>, and become a lien on January 1<sup>st</sup>. Taxes are due in two equal installments on January 1<sup>st</sup> and July 1<sup>st</sup>.

Taxes paid or postmarked before January 31<sup>st</sup> or July 31<sup>st</sup> are not subject to a penalty. Unpaid Village taxes after these dates are subject to a 5% penalty for the first month and a 1% penalty for each month thereafter. If taxes are delinquent and the Village receives no response from property owners, the delinquent tax is turned over to the Village attorney for collection.

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/investments

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	\$ 500	Straight line	20 years
Non-building improvements	\$ 500	Straight line	20 years
Furniture, fixtures, machinery and equipment	\$ 500	Straight line	5-12 years
Infrastructure systems:			
Roads, curbs and sidewalks	\$ 1,000	Straight line	15-20 years
Water mains	\$ 1,000	Straight line	15-20 years
Drainage	\$ 1,000	Straight line	15-20 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/expenditures) until then.

K. Deferred inflows

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 long-term debt, installment purchase debt, due to employees' retirement system, proportionate share of the net pension liability, other post-employment benefit obligations and compensated absences are recognized in the Village-wide financial statements. Bond premiums, discounts and any prepaid bond insurance costs are deferred and amortized over the life of the bonds using the straight line method, and bond issuance costs are recognized as an expense in the period incurred. Bonds payable are reported net of the applicable bond premium or discount.

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



M. Compensated absences

Employees accrue sick leave at the rate described within the Village's personnel policy. Full-time employees may not accrue more than 60 days. Upon separation from service, employees are paid varying amounts as provided for in the Village's personnel policy.

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 are 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 and deferred outflows of resources 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 are 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 has no non-spendable fund balance as of December 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 balance as of December 31, 2015 totaled \$50,373 and consisted of funds restricted for park improvements.
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 December 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. The Village has no assigned fund balances as of December 31, 2015.

#### Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the governmental funds. Appropriations for all governmental funds except the Capital Projects Fund lapse at year-end. 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. The unassigned classification also includes negative residual balances of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

#### Net position and fund balance flow assumptions

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

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

#### 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, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

2. **Explanation of certain differences between governmental 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 four 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.



4. Pension differences

Pension differences occur as a result of changes in the Village's proportion of the collective net pension liability and differences between the Village's contributions and its proportionate share of the total contributions to the pension systems.

3. Changes in accounting principles

For the year ended December 31, 2015, the Village implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions (Amendment to GASB Statement 27) and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The implementation of these Statements require the Village to report a liability for its portion of the collective net pension liability in the NYSERS system. The implementation of these Statements also require the Village to report a deferred outflow or inflow of resources for the effect of the net change in the Village's proportion of the collective net pension liability and difference during the measurement period between the Village's contributions and its proportionate share of total contributions to the pension systems not include in pension expenses. Also included as a deferred outflow of resources is the Village contributions to the pension systems subsequent to the measurement date. See Note 12 for the financial statement impact of the implementation of these Statements.

4. Stewardship, compliance and accountability

A. Budgetary data

1. Budget policies

- a. No later than October 31<sup>st</sup>, the Village Treasurer submits a tentative budget to the Village Board of Trustees for the fiscal year commencing the following January 1<sup>st</sup>. 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 December 3<sup>rd</sup>, 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 for the General Fund 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.

3. General fund expenditures

The Village overspent their General Fund budget authority by \$211,257.

5. 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 102 percent or greater 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 102 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. They consisted of:

Fund	Bank Balance	Carrying Amount	
General Fund	\$ 1,037,070	\$ 1,034,633	Insured (FDIC)/Collateralized
Trust and Agency Fund	383,489	370,675	Insured (FDIC)/Collateralized
	<u>\$ 1,420,559</u>	<u>\$ 1,405,308</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 December 31, 2015, the Village did not have any investments subject to credit risk, interest-rate risk, or concentration of credit risk.

**6. Interfund balances and activity**

Interfund receivable and payable balances as of December 31, 2015 represent primarily monies owed for excess transfers for payroll liabilities. Balances at year-end are stated as follows:

	<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 11,851	\$ -
Trust and Agency Fund	-	11,851
Totals	<u>\$ 11,851</u>	<u>\$ 11,851</u>

**7. Capital assets**

A summary of changes in capital assets for the year is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 5,450,000	\$ -	\$ -	\$ 5,450,000
Total non-depreciable assets	5,450,000	-	-	5,450,000
Capital assets that are depreciated:				
Building and improvements	1,966,083	25,375	-	1,991,458
Furniture and equipment	628,848	13,515	-	642,363
Infrastructure	7,154,391	-	-	7,154,391
Total depreciable assets	9,749,322	38,890	-	9,788,212
Less accumulated depreciation:				
Building and improvements	1,322,412	48,189	-	1,370,601
Furniture and equipment	513,363	43,654	-	557,017
Infrastructure	4,428,022	451,447	-	4,879,469
Total accumulated depreciation	6,263,797	543,290	-	6,807,087
Total capital assets, net	<u>\$ 8,935,525</u>	<u>\$ (504,400)</u>	<u>\$ -</u>	<u>\$ 8,431,125</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 255,835
Public safety	190,310
Transportation	90,675
Culture and recreation	5,147
Home and community services	1,323
	<u>\$ 543,290</u>



## 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	\$ 340,000	\$ -	\$ 110,000	\$ 230,000	\$ 115,000
Net pension liability	69,341	-	17,502	51,839	-
Compensated absences	4,278	345	-	4,623	1,000
Total long-term liabilities	<u>\$ 413,619</u>	<u>\$ 345</u>	<u>\$ 127,502</u>	<u>\$ 286,462</u>	<u>\$ 116,000</u>

In June 2012, the Village issued \$545,000 in public improvements serial bonds at interest rates varying from 3.250% to 3.750%, which mature in June 2017. The serial bonds were issued for the purpose of purchasing and renovating a building within the Village. The building will serve a dual purpose by providing rental income to the Village and by providing office space for the Village's code enforcement department.

Outstanding indebtedness aggregated \$286,462. \$230,000 of the outstanding indebtedness was subject to the constitutional debt limit and represented approximately .5% of this debt limit.

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.

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

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding at 12/31/15
Public improvement serial bonds	6/1/2012	6/1/2017	3.25-3.75%	<u>\$ 230,000</u>

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

Year Ended December 31,	Principal	Interest	Total
2016	\$ 115,000	\$ 6,397	\$ 121,397
2017	115,000	2,156	117,156
	<u>\$ 230,000</u>	<u>\$ 8,553</u>	<u>\$ 238,553</u>

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

Interest paid	\$ 10,406
Less interest accrued in the prior year	(1,028)
Plus interest accrued in the current year	<u>707</u>
Interest expense	<u>\$ 10,085</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. The liabilities for compensated absences are liquidated through future budgetary appropriations in the General Fund.

## 9. Pension plans

### Plan description

The Incorporated Village of Islandia participates in the New York State and Local Employees' Retirement System ("NYSERS") which is also referred to as New York State and Local Retirement System (the "System"). This is a cost-sharing multiple-employer defined benefit retirement system. The net position of the System is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York (the "Comptroller") serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law ("RSSL"). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The System is included in the State's financial report as a pension trust fund. That report may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

### Benefits provided

The System provides retirement benefits as well as death and disability benefits.

#### *Tiers 1 and 2*

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.



Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

#### *Tiers 3, 4, and 5*

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

#### *Tier 6*

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for NYSERS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.



### *Special Plans*

The 25-Year Plans allow a retirement after 25 years of service with a benefit of one-half of final average salary, and the 20-Year Plans allow a retirement after 20 years of service with a benefit of one-half of final average salary.

#### *Ordinary Disability Benefits*

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

#### *Accidental Disability Benefits*

For all eligible Tier 1 and Tier 2 NYSERS members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any Workers' Compensation benefits received. The benefit for eligible Tier 3, 4, 5 and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

#### *Ordinary Death Benefits*

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

#### *Post-Retirement Benefit Increases*

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for ten years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) NYSERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

### Contributions

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (NYSERS) who generally contribute 3 percent of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the RSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:



<u>Year</u>	<u>NYSERS</u>
2015	\$ 104,518
2014	100,268
2013	147,234

Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions

At December 31, 2015, the Village reported a liability of \$51,839 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2014. Update procedures were used to roll forward the pension liability to March 31, 2015. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2015, the Village's proportion was 0.0015345% for NYSERS. The Village's proportion was consistent with December 31, 2015.

For the year ended December 31, 2015, the Village recognized pension expense of \$51,952. At December 31, 2015, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources - NYSERS</u>
Differences between expected experience and actual experience	\$ 1,659
Net difference between projected and actual earnings on pension plan investments	9,004
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	20,150
Employer contributions made subsequent to the measurement date	<u>78,433</u>
Total	<u><u>\$ 109,246</u></u>

Deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	NYSERS
For the year ended:	
2016	\$ 7,703
2017	7,703
2018	7,703
2019	7,704
2020	-
Thereafter	-

#### Actuarial assumptions

The total pension liability at March 31, 2015 was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The actuarial valuation used the following actuarial assumptions:

	NYSERS
Measurement date	March 31, 2015
Actuarial valuation date	April 1, 2014
Interest scale	7.50%
Salary scale	4.90%
Decrement tables	April 1, 2005 - March 31, 2010 System's Experience
Inflation rate	2.70%

Annuitant mortality rates are based on April 1, 2005 – March 31, 2010 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

The long term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice ("ASOP") No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 are summarized below:



NYSERS		
Asset Type	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return strategies	3.00%	7.00%
Bonds and mortgages	18.00%	4.00%
Cash	2.00%	2.25%
Domestic equity	38.00%	7.30%
Inflation-indexed bonds	2.00%	4.00%
International equity	13.00%	8.55%
Opportunistic portfolio	3.00%	8.60%
Private equity	10.00%	11.00%
Real assets	3.00%	8.65%
Real estate	8.00%	8.25%
	100.00%	

#### Discount rate

The discount rate used to calculate the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability

#### Sensitivity of the proportionate share of the net pension liability to the discount rate assumption

The following presents the Village's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

NYSERS	1% Decrease (6.50%)	Current assumption (7.50%)	1% Increase (8.50%)
Employer's proportionate share of the net pension liability (asset)	\$ 345,528	\$ 51,839	\$ (196,108)

#### Pension plan fiduciary net position

The components of the current-year net pension liability of the employers as of March 31, 2015, were as follows:

	(Dollars in Thousands)
	<u>NYSERS</u>
Employers' total pension liability	\$ 164,591,504
Plan net position	<u>(161,213,259)</u>
Employers' net pension liability	<u>\$ 3,378,245</u>
Ration of plan net position to the Employers' total pension liability	97.95%

## 10. 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. Real property tax litigation

On an ongoing basis, the Village is a party to litigation including tax certiorari proceedings. Such proceedings will occasionally result in settlements, whereby the Village will be required to rebate certain real property taxes. Such rebates are recognized when realized. Based on past experience, the Village administration believes the ultimate resolution of current legal actions, if any, would be immaterial.

### D. Property tax cap

In June 2011, 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. Local governments can exceed the tax levy limit by a 60% vote of the governing body, or by local law. In June 2015, the Real Property Tax Laws Cap were extended to January 15, 2020.



## 11. Lease commitments

### A. Rental income

The Village acquired a building and made substantial improvements to it with the proceeds of the \$545,000 public improvements serial bonds and as a result leased part of the building to a local florist. Future rental income is as follows:

<u>Year ended December 31,</u>	
2016	\$ 22,713
2017	23,058
2018	23,757
2019	24,468
2019-2022	<u>71,061</u>
	<u>\$ 165,057</u>

The Village has entered into a lease agreement to rent 3,600 square feet of space to a wireless communications provider. The lease began in January of 2010 and has a term of 5 years. Under the agreement the Village will receive 50% of the gross rent received by the provider. The lease will automatically renew for 4 terms of 5 years each.

The Village has entered into a land lease to provide space for the use of a cell phone tower. The lease began in November of 2006 with an initial term of five years. The agreement contains 10 options to renew for addition 5 year terms which will automatically renew. The minimum rent the Village will receive is \$3,000 per month.

## 12. Prior period adjustment

The Village's financial statements for the year ended December 31, 2014 have been restated as of January 1, 2015 to give effect to the following:

	<u>Net Position</u>
Balance as of January 1, 2015, as reported	\$ 8,867,202
GASB Statement No. 68 implementation:	
Less: Net Pension Liability - Proportionate Share	(69,341)
GASB Statement No. 71 implementation:	
Beginning deferred outflow of resources for contributions made subsequent to the measurement date	<u>75,245</u>
Balance as of January 1, 2015, as restated	<u>\$ 8,873,106</u>

## 13. 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. 72, Fair Value Measurement and Application, which is to address 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 is currently studying the Statement and plans on adoption when required, which will be for the December 31, 2016 financial statements.

GASB has issued Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions, which establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The Village is currently studying the Statement and plans on adoption when required, which will be for the year ending December 31, 2018.

GASB has issued Statement No. 77, Tax Abatement Disclosures, which will require the 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 December 31, 2016.

GASB has issued Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans, which amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local employees, and (3) has no predominant state or local governmental employer. The Village is currently studying the Statement and plans on adoption when required, which will be for the year ending December 31, 2016.

GASB has issued Statement No. 80, Blending Requirements For Certain Component Units - An Amendment of GASB No. 14, which amends the blending requirements for the financial statement presentation of component units of all state and local governments. The new criteria will require blending of a component unit incorporated as not-for-profit Corporation in which the primary government is the sole corporate member. The Village is currently studying the Statement and plans on adoption when required, which will be for the year ending December 31, 2017.

GASB has issued Statement No. 82, Pension Issues - an amendment of GASB Statement No. 67, No. 68, and No. 73, which addresses the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from actuarial standards, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Village is currently studying the Statement and plans on adoption when required, which will be for the year ending December 31, 2018.

#### **14. Subsequent events**

The Village has evaluated subsequent events occurring after the Statement of Net Position through the date of June 18, 2016 which is the date the financial statements were available to be issued.



REQUIRED  
SUPPLEMENTARY  
INFORMATION

**INCORPORATED VILLAGE OF ISLANDIA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGE IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Year-end Encumbrances</u>	<u>Variance</u>
<b>REVENUES</b>				
Real property taxes	\$ 1,893,624	\$ 1,862,479		\$ (31,145)
Non-property tax items	75,000	82,581		7,581
Departmental income	34,000	48,098		14,098
Use of money and property	52,700	94,680		41,980
Licenses and permits	130,000	116,951		(13,049)
Fines and forfeitures	504,000	578,915		74,915
State aid	160,000	107,512		(52,488)
Miscellaneous revenues	-	1,925		1,925
Total revenues	<u>2,849,324</u>	<u>2,893,141</u>		<u>43,817</u>
<b>EXPENDITURES</b>				
Current-				
General government	925,482	1,177,994	\$ -	(252,512)
Public safety	310,680	361,940	-	(51,260)
Health	60,000	60,000	-	-
Transportation	711,470	557,653	-	153,817
Economic opportunity and assistance	16,000	15,508	-	492
Culture and recreation	66,700	62,344	-	4,356
Home and community services	315,800	393,763	-	(77,963)
Employee benefits	322,786	310,973	-	11,813
Debt service -				
Principal	110,000	110,000	-	-
Interest	10,406	10,406	-	-
Total expenditures	<u>2,849,324</u>	<u>3,060,581</u>	<u>\$ -</u>	<u>(211,257)</u>
Change in fund balance	<u>\$ -</u>	<u>(167,440)</u>		<u>\$ (167,440)</u>
Fund balance, beginning of year		<u>276,983</u>		
Fund balance, end of year		<u>\$ 109,543</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.

INCORPORATED VILLAGE OF ISLANDIA  
SCHEDULE OF VILLAGE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY- NYNERS  
LAST TEN FISCAL YEARS\*  
(Dollar amounts in thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Village's proportionate share of net pension liability	0.00153%	0.00153%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Village's proportionate share of net pension liability	\$ 52	\$ 69	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Village's covered payroll	\$ 840,202	\$ 746,613	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Village's proportionate share of the net pension liability as a percentage of covered payroll	0.0062%	0.0092%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	-97.95%	-97.95%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* The amounts presented for each fiscal year were determined (bi-annually) as of March 31.  
Not available = N/A

\*\*Notes to Required Supplementary Information

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



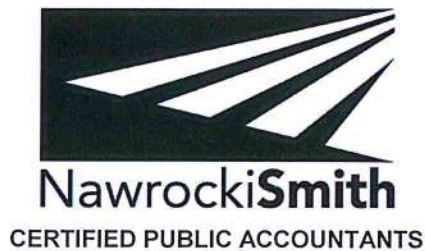
INCORPORATED VILLAGE OF ISLANDIA  
SCHEDULE OF VILLAGE PENSION CONTRIBUTIONS - NYSERS  
LAST TEN FISCAL YEARS\*  
(Dollar amounts in thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 104,518	\$ 100,268	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	104,518	100,268	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Village's covered-employee payroll	\$ 840,202	\$ 746,613	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	12.44%	13.43%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* The amounts presented for each fiscal year were determined (bi-annually) as of March 31.

\*\*Notes to Required Supplementary Information

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



**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 Islandia:

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 Islandia (the "Village"), as of and for the year ended December 31, 2015, and the related notes to the financial statements which collectively comprise the Village's financial statements, and have issued our report thereon dated June 18, 2016.

***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.

June 18, 2016  
Melville, New York

