



COUNTY OF NASSAU - STATE OF NEW YORK

FINANCIAL STATEMENTS

Year Ended May 31, 2014

**INCORPORATED VILLAGE OF FLOWER HILL
COUNTY OF NASSAU - STATE OF NEW YORK
Year Ended May 31, 2014**

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As management of the Incorporated Village of Flower Hill (the "Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended May 31, 2014.

FINANCIAL HIGHLIGHTS

As reflected in the government-wide financial statements, the assets of the Village exceeded its liabilities at May 31, 2014 fiscal year by \$8,415,282 (net position), of which \$1,684,028 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the Village's fund designation and fiscal policies.

As reflected in the fund financial statements as of the close of the current fiscal year, the Village's government funds reported an ending fund balance of \$1,723,965 (an increase of \$346,869 in comparison with the prior year). Of this amount, \$39,040 is restricted, \$260,000 is assigned, and \$1,424,925 is unassigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Position presents information on all of the Village's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The Statement of Activities presents information showing how the Village's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years.

Both of the government-wide financial statements distinguish function and programs of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from programs that are intended to recover all or a significant portion of their costs through user fees and charges.

The governmental activities of the Village include general government support, building department, justice court, contracted fire protection, parks and recreation, roads and highways, and sanitation.

The government-wide financial statements can be found on pages 10 and 11 of this report.

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

Governmental Funds – Governmental funds are used to account for essentially the same function and programs reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains 2 governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, and Capital Fund.

The Village adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12 – 15 of this report.

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

The fiduciary fund financial statement can be found on page 16 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 - 33 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the Incorporated Village of Flower Hill assets exceeded liabilities by \$8,415,282 at the close of the most recent fiscal year.

The Village has an investment in capital assets, net of related debt totaling \$6,692,214, at May 31, 2014.

INCORPORATED VILLAGE OF FLOWER HILL
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
MAY 31, 2014

The remaining balance of unrestricted net position totaling \$1,684,028 may be used to meet the government's ongoing obligations to citizens and creditors.

VILLAGE'S NET POSITION

	<u>Governmental Activities</u>		
	<u>2014</u>	<u>2013</u>	<u>Change</u>
Current and Other Assets	\$2,069,735	\$1,658,684	\$ 411,051
Capital Assets	<u>6,692,214</u>	<u>7,037,454</u>	<u>(345,240)</u>
Total Assets	<u>8,761,949</u>	<u>8,696,138</u>	<u>65,811</u>
Other Liabilities	345,770	281,588	64,182
Long Term Liabilities	<u>897</u>	<u>4,817</u>	<u>(3,920)</u>
Total Liabilities	<u>346,667</u>	<u>286,405</u>	<u>60,262</u>
Net Position:			
Net investment in capital assets	6,692,214	7,037,454	(345,240)
Restricted	39,040	38,925	115
Unrestricted	<u>1,684,028</u>	<u>1,333,354</u>	<u>350,674</u>
Total Net Position	<u>\$8,415,282</u>	<u>\$8,409,733</u>	<u>\$ 5,549</u>

Currently, the largest portion of the Village's net position of \$6,692,214 reflects its investment in capital assets (e.g. land, buildings, improvements and machinery and equipment.) Capital assets are used to provide service to citizens; consequently these assets are not available for future spending. Although the Village's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The net investment in capital assets decreased over the prior year by \$345,240 primarily as a result of additions to capital assets during the current fiscal year, as well as, the offset by current depreciation.

A portion of the Village's net position, \$39,040, represents resources that are subject to external restriction on how they may be used. Increases of \$115 were the result of interest earnings on reserve funds to be used for capital repairs.

The remaining balance of unrestricted net position of \$1,684,028 may be used to meet the government's ongoing obligations to citizens and creditors.

VILLAGE'S CHANGES IN NET POSITION

	<u>Governmental Activities</u>		
	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>
Revenues:			
Program Revenues/Charges for Services	\$ 838,532	\$ 531,078	\$ 307,454
Capital Grants	8,073	311,070	(302,997)
General Revenues:			
Property Taxes	2,000,673	2,011,000	(10,327)
Unrestricted Investment Earnings	6,053	5,155	898
State Aid	166,446	164,030	2,416
Miscellaneous	262,815	281,713	(18,898)
(Loss) on Capital Asset Dispositions	-	(111)	111
Total Revenues	<u>3,282,592</u>	<u>3,303,935</u>	<u>(21,343)</u>
Expenses:			
General Government	1,279,717	1,532,752	(253,035)
Building Department	336,003	301,644	34,359
Justice Court	198,068	204,080	(6,012)
Fire Protection	543,741	532,518	11,223
Parks and Recreation	29,931	21,889	8,042
Roads and Highways	889,583	793,150	96,433
Total Expenses	<u>3,277,043</u>	<u>3,386,033</u>	<u>(108,990)</u>
Change in Net Position	5,549	(82,098)	87,647
Net Position – June 1 st	<u>8,409,733</u>	<u>8,491,831</u>	<u>(82,098)</u>
Net Position – May 31 st	<u>\$8,415,282</u>	<u>\$8,409,733</u>	<u>\$ 5,549</u>

Revenue Categories:

Program Revenues – includes charges for services which provide a direct benefit to the purchaser, including fees for recreational and community events and building permits. Revenue contributed by external governments that are restricted to supporting these types of programs are also classified as program grants.

General Revenues – includes revenues that are available to fund the overall government and to provide a benefit to all taxpayers in the Village. This includes real property taxes and miscellaneous funds that may be generated during the course of the year such as sales on excess equipment and insurance property loss claims received.

The Village's revenues decreased by \$21,343. This decrease is primarily due to Federal and State Aid received in the prior year for Super Storm Sandy. However, building and alteration permit fees under program revenues/charges for services were significantly increased.

Expense Categories:

The Village's expenses decreased by \$108,990. This decrease is due to the decrease in contractual expenditures due to super storm Sandy occurring in the prior year.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

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

Governmental Funds – The focus of the Village's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,723,965, an increase of \$346,869 in comparison to the prior year. Of this total amount \$1,424,925 constitutes unassigned fund balance, which is available for spending at the government's discretion.

General Fund – The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,424,925, while total fund balance reached \$1,684,925. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 49% of total fund expenditures, while total fund balance represents 57% of that total fund expenditures.

The fund balance of the Village's General Fund increased during the current fiscal year by \$346,754 to \$1,684,925. The key factor in this was expenditures were significantly less than revenues received.

Capital Projects Fund – The fund balance in the Capital Projects Fund increased during the current fiscal year by \$115 to \$39,040. The key factor was interest earnings.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Village's General Fund adopted budget for the fiscal year ended May 31, 2014 was \$2,913,321. This amount was increased by appropriated reserves of \$75,000 and appropriated fund balance of \$260,000 for a total budget of \$3,248,321.

The budget was funded through a combination of anticipated revenues. The major funding sources were real property taxes of \$1,994,503, non-property tax items \$182,000, licenses and permits \$304,500, State Aid \$222,300, and appropriated fund balance of \$260,000.

The General Fund performed favorably compared to budgeted revenues and expenditures.

INCORPORATED VILLAGE OF FLOWER HILL
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
MAY 31, 2014

Actual revenues of \$3,282,481 compared to the original budget of \$2,913,321 with a positive variance to budget of \$369,160. This variance consisted primarily of building permit fees of \$402,704.

Actual expenditures for the year were \$2,935,757 compared to the original budget of \$3,173,321 with a positive variance to budget of \$237,594. This variance is primarily the result of certain budgeted line items being less than projected. General government was under budget by \$186,366.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The Village's investment in capital assets for its governmental activities as of May 31, 2014, amounts to \$6,692,214 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, infrastructure, structures, vehicles and vehicle equipment, and machinery and equipment.

As of the year ended May 31,	<u>2014</u>	<u>2013</u>
Land	\$ 5,111	\$ 5,111
Construction in Progress	75,000	-
Land Improvements	27,674	29,669
Infrastructure	3,936,233	4,216,744
Structures	2,161,097	2,229,377
Vehicles and Vehicle Equipment	312,784	371,386
Machinery and Equipment	<u>174,315</u>	<u>185,166</u>
Total	<u>\$6,692,214</u>	<u>\$7,037,453</u>

Additional information on the Village's capital assets is shown in Note 6 on pages 25 - 26 of this report.

DEBT ADMINISTRATION

The Village borrows money in order to acquire land or equipment or construct buildings and improvements or infrastructure. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. The Village pledges its full faith and credit for the payment of principal and interest.

As of the year ended May 31,	<u>2014</u>	<u>2013</u>
Postemployment Benefits	<u>\$ 897</u>	<u>\$ 4,817</u>
Total	<u>\$ 897</u>	<u>\$ 4,817</u>

Additional information on the Village's outstanding debt is shown in Note 7 on page 26 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2015 budget appropriations are \$3,456,073 which is 6.46% more than the current year's adopted budget. Most of the appropriations budget is about equal to the prior year with the exception of building contractual has been decreased by \$20,000; street maintenance has been increased by \$200,000; parks and recreation has been decreased by \$25,000; refuse and garbage has been increased by \$26,020; State retirement has been increased by \$35,000; health insurance has been decreased by \$25,000; and transfers to capital projects has been decreased by \$50,000. Building permit fees have been increased by \$194,000; and grants received increased \$50,000. Property tax collections will decrease by \$21,885, about 1.11%.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with general overview of the Village's finances and to show the Village's accountability for the money it receives. Questions concerning any information provided in this report should be addressed to the Village at 1 Bonnie Heights Road, Flower Hill, NY 11030.

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Board of Trustees of the
Incorporated Village of Flower Hill:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Incorporated Village of Flower Hill (the "Village"), as of and for the year ended May 31, 2014 and the related notes to the financial statements, which collectively comprise the Village's 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 the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village'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 internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

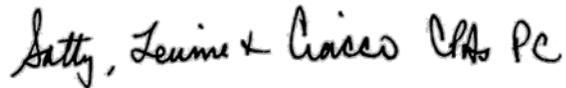
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Incorporated Village of Flower Hill, as of May 31, 2014, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 7, budgetary comparison information on page 35 and the schedule of funding progress other postemployment benefits on page 34, be presented to supplement the basic financial statements. Such information, although are not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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.



Satty, Levine & Ciacco, CPAs P.C.
Jericho, New York
October 22, 2014

**INCORPORATED VILLAGE OF FLOWER HILL
COUNTY OF NASSAU - STATE OF NEW YORK
STATEMENT OF NET POSITION
MAY 31, 2014**

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
CURRENT ASSETS:	
Cash	\$ 1,850,821
Taxes receivable	27,160
Accounts receivable	65,242
Due from fiduciary fund	97,121
Due from other governments	29,391
	<hr/>
TOTAL CURRENT ASSETS	2,069,735
NON-CURRENT ASSETS:	
Land	5,111
Other capital assets, net of depreciation	6,687,103
	<hr/>
TOTAL ASSETS	<u>\$ 8,761,949</u>
<u>LIABILITIES AND NET POSITION</u>	
LIABILITIES:	
Accounts payable	\$ 340,704
Unearned revenue	5,066
Long-term liabilities:	
Due in more than one year	897
	<hr/>
TOTAL LIABILITIES	<hr/> 346,667
NET POSITION:	
Net investment in capital assets	6,692,214
Restricted for:	
Capital repairs	39,040
Unrestricted	1,684,028
	<hr/>
TOTAL NET POSITION	<hr/> 8,415,282
TOTAL LIABILITIES AND NET POSITION	<u>\$ 8,761,949</u>

See independent auditors' report and notes to the financial statements.

**INCORPORATED VILLAGE OF FLOWER HILL
COUNTY OF NASSAU - STATE OF NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2014**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES	CAPITAL GRANTS	AND CHANGES IN NET POSITION
<u>GOVERNMENTAL ACTIVITIES</u>				GOVERNMENTAL ACTIVITIES
General government	\$ 1,279,717	\$ 56,650	\$ -	\$ (1,223,067)
Building department	336,003	713,454	-	515,386
Justice court	198,068	68,428	-	(129,640)
Fire protection	543,741	-	-	(543,741)
Parks and recreation	29,931	-	-	(29,931)
Roads and highways	889,583	-	8,073	(881,510)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 3,277,043	\$ 838,532	\$ 8,073	(2,430,438)

GENERAL REVENUES:

Property taxes-levied for general purposes	2,000,673
Unrestricted investment earnings	6,053
State aid	166,446
Miscellaneous	262,815
TOTAL GENERAL REVENUES	2,435,987
CHANGE IN NET POSITION	5,549
NET POSITION - BEGINNING	8,409,733
NET POSITION - ENDING	\$ 8,415,282

See independent auditors' report and notes to the financial statements.

**INCORPORATED VILLAGE OF FLOWER HILL
COUNTY OF NASSAU - STATE OF NEW YORK
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2014**

	GOVERNMENTAL FUND TYPES		
	GENERAL	CAPITAL FUND	TOTAL
ASSETS:			
Cash	\$ 1,811,781	\$ 39,040	\$ 1,850,821
Taxes receivable, overdue	27,089	-	27,089
Property acquired for taxes	71	-	71
Accounts receivable	65,242	-	65,242
Due from fiduciary fund	97,121	-	97,121
Due from other governments	29,391	-	29,391
TOTAL ASSETS	\$ 2,030,695	\$ 39,040	\$ 2,069,735
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts Payable	\$ 340,704	\$ -	\$ 340,704
Deferred Revenue	5,066	-	5,066
TOTAL LIABILITIES	345,770	-	345,770
FUND BALANCES:			
Restricted:			
Capital Projects	-	39,040	39,040
Assigned Fund Balance:			
Appropriated Fund Balance	260,000	-	260,000
Unassigned	1,424,925	-	1,424,925
TOTAL FUND BALANCES	1,684,925	39,040	1,723,965
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,030,695	\$ 39,040	\$ 2,069,735

See independent auditors' report and notes to the financial statements.

**INCORPORATED VILLAGE OF FLOWER HILL
COUNTY OF NASSAU - STATE OF NEW YORK
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MAY 31, 2014**

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 1,723,965

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:

Capital assets used in governmental activities are not
current financial resources and therefore are not
reported in the governmental funds balance sheet. 6,692,214

Long-term liabilities are not due and payable in the current period
and, therefore, they are not reported in the governmental
funds balance sheet. (897)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 8,415,282

**INCORPORATED VILLAGE OF FLOWER HILL
COUNTY OF NASSAU - STATE OF NEW YORK
GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2014**

	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL FUND	CAPITAL FUND	
REVENUES:			
Real property taxes	\$ 1,992,403	\$ -	\$ 1,992,403
Interest and penalties on real property taxes	8,272	-	8,272
Non property tax items	186,007	-	186,007
Departmental income	62,900	-	62,900
Use of money and property	6,358	115	6,473
Licenses and permits	707,204	-	707,204
Fines and forfeitures	68,428	-	68,428
Sale of property and compensation for loss	-	-	-
Miscellaneous local sources	76,390	-	76,390
State aid	166,446	-	166,446
Federal aid	8,073	-	8,073
TOTAL REVENUES	3,282,481	115	3,282,596
EXPENDITURES:			
General government	596,919	-	596,919
Public safety	800,135	-	800,135
Transportation	375,209	-	375,209
Culture and recreation	100,040	-	100,040
Home and community services	571,014	-	571,014
Employee benefits	492,410	-	492,410
TOTAL EXPENDITURES	2,935,727	-	2,935,727
EXCESS OF REVENUES OVER EXPENDITURES	346,754	115	346,869
FUND BALANCE BEGINNING OF THE YEAR	1,338,171	38,925	1,377,096
FUND BALANCE END OF THE YEAR	\$ 1,684,925	\$ 39,040	\$ 1,723,965

See independent auditors' report and notes to the financial statements.

**INCORPORATED VILLAGE OF FLOWER HILL
COUNTY OF NASSAU - STATE OF NEW YORK
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2014**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 346,869

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF
ACTIVITIES ARE DIFFERENT BECAUSE:

Governmental funds report capital outlay as expenditures. However,
in the government-wide statement of activities and changes in net position,
the cost of those assets is allocated over their estimated useful lives
as depreciation expense. This is the amount of capital assets recorded
in the current period. 85,550

Depreciation expense on capital assets is reported in the government-
wide statement of activities and changes in net position, but they
do not require the use of current financial resources. Therefore,
depreciation expense is not reported as an expenditure in the
governmental funds. (430,789)

On the statement of activities the actual and projected long term expenditures for
postemployment benefits are reported whereas on the governmental funds
only the actual expenditures are recorded for postemployment benefits. 3,919

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 5,549

**INCORPORATED VILLAGE OF FLOWER HILL
COUNTY OF NASSAU - STATE OF NEW YORK
STATEMENT OF FIDUCIARY NET POSITION
MAY 31, 2014**

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 114,617
TOTAL ASSETS	<u>\$ 114,617</u>
<u>LIABILITIES</u>	
Due to governmental funds	\$ 97,121
Deposits held	<u>17,496</u>
TOTAL LIABILITIES	<u>\$ 114,617</u>

See independent auditors' report and notes to the financial statements.

**INCORPORATED VILLAGE OF FLOWER HILL
COUNTY OF NASSAU - STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
May 31, 2014**

Note 1. Summary of Significant Accounting Policies

A. Organization

The Incorporated Village of Flower Hill (the "Village") was incorporated in 1931. The Village operates under a Board of Trustees form of government and provides the following services as authorized by its charter: general government, building department, justice court, contracted fire protection, parks and recreation, roads and highways, and sanitation.

The financial statements of the Village were prepared in accordance with generally accepted accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing governmental accounting and financial reporting principals for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Village are discussed below.

B. Financial Reporting Entity

The Incorporated Village of Flower Hill is governed by the Village Law and other General Laws of the State of New York and various local laws. The Board of Trustees is the legislative body responsible for overall operations. The Mayor serves as chief executive officer and the Treasurer serves as chief fiscal officer.

All governmental activities and function/programs performed for the Incorporated Village of Flower Hill are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting consists of (a) the primary government which is the Village, (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 exclusions would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement No. 61.

C. Basis of Presentation

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

Government-wide Financial Statements

The Government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Village. The effect of Interfund activity, within the governmental column has been removed from these statements.

In the government-wide Statement of Net Position, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net position is reported in three components-net investment in capital assets; restricted net position; and unrestricted net position. The Village first utilizes restricted resources to finance qualifying activities.

**INCORPORATED VILLAGE OF FLOWER HILL
COUNTY OF NASSAU - STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
May 31, 2014**

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Village has presented the following major governmental funds:

1. General fund is the general operating fund of the Village. It is used to account for and report all financial resources except those required to be accounted for in another fund.
2. Capital fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays including the acquisition or construction of major capital assets.

Fiduciary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income and financial position. All assets and liabilities are included on the Statement of Fiduciary Net Position. These activities are not included in the government-wide financial statements because their resources are not available to be used. The Village has presented the following Fiduciary Fund:

1. Agency Funds account for assets held by the Village in a purely custodial capacity. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. Agency Funds consist of deposits held by the Village.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses and the related assets and liabilities are recognized in the account 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.)

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, except that:

See independent auditors' report.

**INCORPORATED VILLAGE OF FLOWER HILL
COUNTY OF NASSAU - STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
May 31, 2014**

Note 1. Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (Continued)

- a. Expenditures for prepaid expenses and inventory-type items are recognized at the time of purchase.
- b. Principal and interest on indebtedness are not recognized as an expenditure until due.
- c. Compensated absences such as vacation and sick leave which vests or accumulates, are charged as an expenditure when paid.

E. Budgetary Data

Budgets are adopted annually. All budget amounts provided in this report have been modified where necessary. The Village's procedures in establishing the budgetary data reflected in the financial statements are as follows:

- a. On or before March 20th, the budget officer prepares estimates for each administrative unit.
- b. No later than March 20th, the budget officer submits a tentative budget to the Board of Trustees for the fiscal year commencing the following June 1st. This tentative budget includes proposed expenditures and the means of financing for the General Fund.
- c. A public hearing is conducted by the Board of Trustees to obtain comments.
- d. No later than May 1st, the Board of Trustees adopts the budget of the Incorporated Village of Flower Hill.

All modifications of the budget must be approved by the Board of Trustees. (However, the Treasurer is authorized to transfer certain budget amounts within departments.)

F. Cash, Cash Equivalents and Investments

The Village primarily maintains its cash and investments in individual segregated accounts grouped by fund. All investments with an original maturity of three months or less when purchased are considered cash equivalents. Cash on deposit with financial institutions is collateralized in accordance with state's statutes.

G. Use of Estimates

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

H. Interfund Transactions

The operations of the Village include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The Village typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

In the government-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

**INCORPORATED VILLAGE OF FLOWER HILL
COUNTY OF NASSAU - STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
May 31, 2014**

Note 1. Summary of Significant Accounting Policies (Continued)

H. Interfund Transactions (Continued)

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables are netted on the accompanying governmental funds balance sheet when it is the Village's practice to settle these amounts at a net balance based upon the right of legal offset.

A detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity is provided subsequently in these Notes.

I. Receivables

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

J. Prepaid Items

Prepaid items in the fund and government-wide statements represent expenses paid that will benefit the subsequent period.

K. Capital Assets

Capital assets are reported in the applicable governmental activities columns in the government-wide financial statements. All capital assets purchased or acquired with an original cost of \$500 or more and an estimated useful life in excess of one year are reported at historical cost or estimated historical cost if the actual historical cost is not available. Contributed assets are reported at a fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Infrastructure assets for governmental activities after December 31, 1980, consisting of certain improvements other than buildings, including roads, curbs, sidewalks, drainage system, street lighting and sewer system are capitalized. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Structures	50 years
Vehicles and Vehicle Equipment	8-15 years
Machinery and Equipment	5-20 years
Infrastructure	20 years

The Village evaluated prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The Village's policy is to record an impairment loss in the period when the Village determines that the carrying amount of the asset will not be recoverable. At May 31, 2014, the Village has not recorded any such impairment losses.

L. Collections in Advance

Collections in advance represent a liability for fees which pertain to services that will be provided by the Village in the next fiscal year.

M. Grant Advances

Grant advances represent a liability for grant revenues collected in advance of eligible grant expenditures.

**INCORPORATED VILLAGE OF FLOWER HILL
COUNTY OF NASSAU - STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
May 31, 2014**

Note 1. Summary of Significant Accounting Policies (Continued)

N. Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position and Governmental Funds Balance Sheet will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village reports only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. The governmental funds report unavailable revenues for real property taxes. This amount is deferred and will be recognized as an inflow of resources in the period that the amounts become available.

O. Compensated Absences

Compensated absences consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the Village and the employee. Concurrently, the Village does not permit accumulation of unused vacation or sick leave.

P. Other Benefits

Eligible Village employees participate in the New York State Employees' Retirement System.

In addition to providing pension benefits, the Village provides post-employment health insurance coverage for retired employees. The Village accounts for these postemployment benefits in accordance with GASB Statement No. 45 (GASB 45) Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. In the government-wide statements, postemployment costs are measured and disclosed using the accrual basis of accounting. The cost of providing these benefits is recorded as an expenditure in governmental funds in the year paid.

Q. Short-Term Debt

The Village may issue Bond Anticipation Notes (BAN's) in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BAN's issued for capital purposes be converted to long-term financing within five years after the original issue date.

R. Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due. Long-term liabilities are liquidated through future budgetary appropriations of the general fund.

Long-term obligations represent the Village's future obligations or future economic outflows. The liabilities are reported as due within one year or due in more than one year in the Statement of Net Position.

S. Insurance

The Village insures against the liability for most risk including, but not limited to, property damage and personal injury liability. Judgment and claims are recorded when it is possible that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

**INCORPORATED VILLAGE OF FLOWER HILL
COUNTY OF NASSAU - STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
May 31, 2014**

Note 1. Summary of Significant Accounting Policies (Continued)

**T. Equity Classifications
Government-wide Statements**

In the government-wide statements there are three classes of net position:

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.

Restricted net position – reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – reports all other net position that do not meet the definition of “restricted” or net investment in capital assets, classifications and are deemed to be available for general use by the Village.

Governmental Fund Financial Statements

Under GASB 54, the fund balance consists of five classifications; however the Village only utilizes the following three:

Restricted – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. Restricted fund balances, including reserves in accordance with New York State law, are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. These reserve funds are established through Board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund.

Capital Projects – the capital project fund is restricted to the individual purpose for which bonds were issued or funds have been accumulated.

Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the Village’s Board of Trustees. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance may include an amount appropriated to partially fund the subsequent year’s budget and may also include encumbrances not classified as restricted at the end of the year.

Unassigned – Represents the residual classification for the Village’s general fund and could report a surplus or deficit. In funds other than the general fund, unassigned classification should be used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, or assigned.

The Board of Trustees shall delegate the authority to assign fund balance, for encumbrance purposes, to the person(s) to whom it has delegated the authority to sign purchase orders.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget revision and then from the assigned fund balance to the extent that there is an assignment and then from the unassigned fund balance.

The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements.

See independent auditors’ report.

**INCORPORATED VILLAGE OF FLOWER HILL
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NOTES TO FINANCIAL STATEMENTS
May 31, 2014**

Note 1. Summary of Significant Accounting Policies (Continued)

U. Newly Adopted Accounting Principles

In March of 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of Statement No. 65 are effective for financial statements for periods beginning after December 15, 2012. The implementation of this statement resulted in a change in the presentation of the balance sheets for the governmental funds.

In March of 2012, GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to resolve conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. This statement has no effect on the financial statements.

Note 2. Budget Basis of Accounting

The Village Administrator prepares a proposed budget for approval by the Board of Trustees for the General Fund, the only fund with a legally adopted budget. Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized in the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists, which was not determined at the time the budget was adopted. During the year, the Board approved additional appropriations of \$-0-.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Budgets are established and used for individual Capital Project Fund expenditures as approved by the Board. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

Note 3. Real Property Taxes

Village real property taxes are levied annually no later than May 15th, and become a lien on the first day of the levy year. Taxes are collected during the period June 1st to July 1st without penalty or interest. Thereafter penalty and interest are imposed pursuant to the Real Property Tax Law.

After the return of tax warrant and certification to the Board of Trustees of the uncollected tax items, an annual sale of the tax liens is held pursuant to the provisions of the Real Property Tax Law.

**INCORPORATED VILLAGE OF FLOWER HILL
COUNTY OF NASSAU - STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
May 31, 2014**

Note 4. Cash And Investments

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

Collateral is required for demand deposits and certificates of deposit at 100 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

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 100 percent of the cost of the repurchasing agreement.

Deposits and investments at year-end were entirely covered by federal deposit insurance and/or by collateral held by a custodial bank in the Village's name.

Bank balances for the Village's cash at May 31, 2014 consisted of:

Checking - Non-Interest Bearing	\$ 434,820
Checking - Interest Bearing	506,018
Money Market - Interest Bearing	<u>844,469</u>
Total Balances	<u>\$1,785,307</u>
Amount FDIC Insured	\$ 500,000
Collateral Held by Village's Custodial Banks	<u>1,285,307</u>
	<u>\$1,785,307</u>

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

Governmental Accounting Standards Board Statement No. 40 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.

Collateral is required for that portion of deposits not covered by Federal Deposit Insurance Corporation or security in the form of a letter of credit (LOC) from the Federal Home Loan Bank (FHLB). Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

At May 31, 2014 the cash in banks were entirely collateralized by the FDIC insurance, FHLB/LOC or securities held by the bank, in trust or third party, in the name of the Village.

See independent auditors' report.

**INCORPORATED VILLAGE OF FLOWER HILL
COUNTY OF NASSAU - STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
May 31, 2014**

Note 5. Interfund Receivables and Payables

The composition if the General Fund interfund balances at May 31, 2014, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Trust Fund	<u>\$97,121</u>
Total – Fund Financial Statements		97,121
Less: Fund eliminations		<u>(97,121)</u>
Total Interfund Balances – Government Wide Statement of Net Position		<u>\$ -</u>

Note 6. Change in Capital Assets

Capital assets transactions for the year ended May 31, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets				
Land	\$ 5,111	\$ -	\$ -	\$ 5,111
Construction in Progress	<u>-</u>	<u>75,000</u>	<u>-</u>	<u>75,000</u>
Total Non Depreciable Capital Assets	<u>5,111</u>	<u>75,000</u>	<u>-</u>	<u>80,111</u>
Depreciable Capital Assets				
Land Improvements	39,896	-	-	39,896
Infrastructure	5,610,218	-	-	5,610,218
Structures	2,694,474	-	-	2,694,474
Vehicles and Vehicle Equipment	605,131	-	-	605,131
Machinery and Equipment	<u>396,361</u>	<u>10,550</u>	<u>(3,342)</u>	<u>403,569</u>
Total Depreciable Capital Assets	<u>9,346,080</u>	<u>10,550</u>	<u>(3,342)</u>	<u>9,353,288</u>
Less Accumulated Depreciation				
Land Improvements	10,227	1,995	-	12,222
Infrastructure	1,393,474	280,511	-	1,673,985
Structures	465,097	68,280	-	533,377
Vehicles and Vehicle Equipment	233,745	58,602	-	292,347
Machinery and Equipment	<u>211,195</u>	<u>21,401</u>	<u>(3,342)</u>	<u>229,254</u>
Total Accumulated Depreciation	<u>2,313,738</u>	<u>430,789</u>	<u>(3,342)</u>	<u>2,741,185</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>7,032,342</u>			<u>6,612,103</u>
Total Net Capital Assets	<u>\$7,037,453</u>			<u>\$6,692,214</u>

See independent auditors' report.

**INCORPORATED VILLAGE OF FLOWER HILL
COUNTY OF NASSAU - STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
May 31, 2014**

Note 6. Change in Capital Assets (Continued)

General Government	\$ 72,232
Building Department	3,508
Justice Court	89
Parks and Recreation	9,592
Roads and Highways	<u>345,368</u>
Total governmental activities depreciation expense	<u>\$ 430,789</u>

Note 7. Long-Term Debt

The following is a summary of changes in long-term liabilities for the period ended May 31, 2014:

Governmental Fund Types	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Postemployment Benefits	\$ 4,817	\$51,289	\$55,209	\$ 897	-
Total Governmental Fund Types	<u>\$ 4,817</u>	<u>\$51,289</u>	<u>\$55,209</u>	<u>\$ 897</u>	<u>\$ -</u>

Postemployment Benefits – In addition to providing benefits, the Village provides postemployment health insurance coverage for retired employees. Additional information can be found subsequently in these notes.

Note 8. Pension Plan

**State Wide Local Government Retirement System
Plan Description**

The Village participates in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan collectively known as NYSLRS. These are cost-sharing multiple-employer retirement systems. The NYSLRS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the NYSLRS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the NYSLRS and for the custody and control of its funds. The NYSLRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Funding Policy

The NYSLRS is 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 their first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) who generally contribute 3 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially rates expressly used in computing the employers' contributions based on salaries paid during the NYSLRS 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:

2014	\$155,952
2013	\$135,393
2012	\$ 93,001

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**INCORPORATED VILLAGE OF FLOWER HILL
COUNTY OF NASSAU - STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
May 31, 2014**

Note 8. Pension Plan (Continued)

Fire Fighter Service Award Program

The Village's financial statements are for the year ended May 31, 2014. The information contained in this note is based on information for the Length of Service Awards Program for the year ending on December 31, 2012, which is the most recent plan year for which complete information is available.

As of December 31, 2012, ten (10) municipalities comprise the Joint Sponsoring Board for the Roslyn Volunteer Firefighter Service Award Program. They are the Towns of North Hempstead and Oyster Bay and the Villages of Brookville, East Hills, Flower Hill, North Hills, Old Westbury, Roslyn, Roslyn Estates and Roslyn Harbor.

The information contained in this note is based on information for the Roslyn Volunteer Firefighter Service Award Program for the Program year ending December 31, 2012 which is the most recent information available.

Length of Service Awards Program – LOSAP

The defined benefit Service Award Program (referred to as a "LOSAP" – Length of Service Award Program – under Section 457(e)(11) of the Internal Revenue Code) was established effective January 1, 1996 for the active volunteer firefighter members of the Roslyn Highlands Hook & Ladder, Engine & Hose Company, Inc. and the Rescue Hook & Ladder Company No. 1. The Program was established pursuant to Article 11-A of the New York State General Municipal Law. The Program provides municipally-funded deferred compensation to volunteer firefighters to facilitate the recruitment and retention of active volunteer firefighters. The ten (10) municipalities listed above jointly sponsor and fund the Program and the Joint Sponsoring Board is the Program administrator.

Program Description

Participation, Vesting and Service Credit

In a defined benefit LOSAP, participating volunteers begin to be paid a Service Award upon attainment of the Program's Entitlement Age. An eligible Program participant is defined by the Program sponsor to be an active volunteer firefighter who is at least 18 years of age, has completed probation, and has earned one (1) year of Service Award Program service credit. The amount of the Service Award paid to a participant is based upon the number of years of Service Credit the volunteer earned under the Program for performing active volunteer firefighter activities.

Participants acquire a non-forfeitable right to be paid a Service Award after earning credit for five (5) years of service or upon attaining the Program's Entitlement Age while an active volunteer. The Program's Entitlement Age is age 62. An active volunteer firefighter earns a year of Service Award Program Service Credit for each calendar year after the establishment of the Program in which he or she accumulates fifty points. Points are granted for the performance of certain firefighter activities in accordance with a system established by the Sponsor on the basis of a statutory list of activities and point values. A participant may also receive Service Award Program service credit for five (5) years of active volunteer firefighting service rendered prior to the establishment of the Program as an active volunteer firefighter member of the Roslyn Highlands Hook & Ladder, Engine & Hose Company, Inc. or the Rescue Hook & Ladder Company No. 1.

**INCORPORATED VILLAGE OF FLOWER HILL
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NOTES TO FINANCIAL STATEMENTS
May 31, 2014**

Note 8. Pension Plan (Continued)

Benefits

A participant's Service Award benefit is paid as a ten-year certain and continuous monthly payment life annuity. Currently, there are no other forms of payment of a volunteer's earned Service Award under the Program. The amount payable each month equals \$20 multiplied by the total number of years of Service Award Program service credit earned by the participant under the point system. The maximum number of years of service credit a participant may earn under the Program is 30 years. Except in the case of Pre-Entitlement Age death or total and permanent disablement, a participant's Service Award will not be paid until he or she attains the Entitlement Age. Volunteers who continue to be active after attaining the Entitlement Age and who may have been commenced receiving a Service Award have the opportunity to earn Program credit and to thereby increase their Service Award payments. The pre-Entitlement Age death and disability benefit is equal to the actuarial value of the participant's earned Service Award at the time of death or disablement. If a pre-Entitlement Age participant is an active member at the time of death, the minimum death benefit payable is \$10,000. All other death and disability benefits are self-insured and paid from the Program Trust Fund. The Program does not provide extra line-of-duty death or disability benefits.

For a complete explanation of the program, see the Program Document a copy of which is available from the Joint Sponsoring Board.

Fiduciary Investment and Control

After the end of each calendar year, each fire company prepares and certifies a list of names of all persons who were active volunteer members of the fire company during the year indicating which volunteers earned fifty points. The certified list is delivered to the Joint Sponsoring Board for the Board's review and approval. The fire companies must maintain the point system records to verify each volunteer's points on forms provided and/or approved by the Joint Sponsoring Board.

The Joint Sponsoring Board has retained Penflex, Inc. to assist in the administration of the Program. The services provided by Penflex, Inc. are described in the attached agreement between Penflex, Inc. and the Joint Sponsoring Board.

Based on the certified calendar year volunteer firefighter listings, Penflex determines and certifies in writing to the Joint Sponsoring Board the amount of the Service Award to be paid to a participant or to a participant's designated beneficiary. As authorized by the Joint Sponsoring Board, Penflex then directs the paying agent to pay the Service Award. No Service Award benefit payment is made without the written certification from Penflex and written confirmation to the Joint Sponsoring Board.

Penflex bills the Joint Sponsoring Board for the services it provides. The Board authorizes payment of Penflex invoices from the LOSAP Trust Fund.

Program assets are required to be held in trust by Article 11-A, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the Program (including Penflex fees). The Joint Sponsoring Board created a Service Award Program Trust Fund through the adoption of a Service Award Program Trust Document and the Inter-municipal Agreement, a copy of which is available from the Joint Sponsoring Board. The Joint Sponsoring Board is the Program Trustee.

Authority to invest the program assets is vested in the Program Trustee. Program assets are invested in accordance with a statutory prudent person rule and in accordance with a written investment policy statement adopted by the Joint Sponsoring Board.

**INCORPORATED VILLAGE OF FLOWER HILL
COUNTY OF NASSAU - STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
May 31, 2014**

Note 8. Pension Plan (Continued)

The Joint Sponsoring Board has retained RBC Wealth Management to provide investment management and custodial services and Comerica Bank as paying agent (i.e. to pay benefits to participants).

The Joint Sponsoring Board is required to retain an actuary to determine the amount of each Municipality's contribution to the plan. The actuarial firm retained by the Joint Sponsoring Board for this purpose is Penflex, Inc. Portions of the following information are derived from a report prepared by the actuary dated October 1, 2014.

Program Financial Condition

Assets and Liabilities

Actuarial Present Value of Accrued Service Awards at 12/31/12		<u>\$3,056,755.63</u>
Less: Assets Available for Benefits		
Cash & Short Term Investments	\$ 98,899.77	
International Equities	126,956.50	
Fixed Income	1,839,476.63	
Mixed Assets	736,242.00	
Sponsor Contributions Receivable	140,643.41	
Interest Receivable	871.18	
Penflex, Inc. Fees Payable	(9,513.00)	
Benefits Payable	<u>10,240.00</u>	
Total Net Assets Available for Benefits		<u>2,943,816.49</u>
Total Unfunded Benefits		112,939.14
Less: Unfunded Liability for Separately Amortized Costs		<u>106,315.50</u>
Unfunded Normal Benefits		<u>\$ 6,623.64</u>

The unfunded retroactive liability for additional Service Awards earned after attainment of the Entitlement Age has been amortized and paid. The unfunded liability for additional Service Awards earned after attainment of the Entitlement Age is being amortized over 5 years at 6.00% from the year they are accrued.

Receipts and Disbursements

Plan Net Assets, beginning of year		\$2,633,312.17
Changes during the year:		
Sponsor contributions	34,550.79	
Change in sponsor contributions receivable	138,156.96	
Interest & Dividends	144,904.30	
Change in investment income receivable	(495.71)	
Changes in fair market value of investments	158,244.28	
Investment Expense [RBC]	(20,065.51)	
Administrative Fees [Albrecht, Viggiano, Zureck, & Co.]	(7,500.00)	
Administrative Fees [Comerica]	(1,132.67)	
Benefits	(137,325.12)	
Change in liabilities payable	1,167.00	
Plan Net Assets, end of year		<u>\$2,943,816.49</u>

See independent auditors' report.

**INCORPORATED VILLAGE OF FLOWER HILL
COUNTY OF NASSAU - STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
May 31, 2014**

Note 8. Pension Plan (Continued)

Contributions

Total contributions recommended by actuary:	<u>\$ 172,707.75</u>
Actual contributions made by the Sponsors:	<u>\$ 172,707.75</u>

Total Contribution Due by This Municipality in 2012

Village of Flower Hill	\$11,098.33	1/18/2013
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Administration Fees

Fees paid for investment management	<u>\$ 20,065.51</u>
Other administration fees [Comerica]	<u>\$ 1,132.67</u>

Funding Methodology and Actuarial Assumptions

The actuarial valuation methodology used by the actuary to determine the sponsor's contribution is the Attained Age Normal Frozen Initial Liability method. The assumptions used by the actuary to determine the sponsor's contribution and the actuarial present value of benefits are:

Assumed rate of return on Program investments 6.00%

Tables used for:

Post Entitlement Age mortality:	1994 Unisex Pensioner Male Mortality Table projected with scale AA to 2007
*Pre Entitlement Age mortality:	None
*Pre-Entitlement Age disability:	None
*Pre Entitlement Age withdrawal:	None
*Pre Entitlement Age service credit accruals:	100%

* For Program cost calculation purposes, all pre-Entitlement Age active volunteer firefighter participants are assumed to: survive to the Entitlement Age; remain active and earn 50 points each year; and begin to be paid Service Awards upon attainment of the Entitlement Age.

None of the assets or liabilities in this footnote are included in the financial statements of the Village. The plan administrator has not yet determined the Village of Flower Hills' pro-rata share of these amounts.

Note 9. Other Postemployment Benefits – (OPEB)

Plan Description

The Village sponsors a single employer health care plan that provides postemployment medical benefits for eligible retirees and their spouses through the New York State Health Insurance Plan (NYSHIP) (the "Plan"). Substantially all of the Village's employees may become eligible for these benefits if they reach normal retirement age while working for the Village. The Village does not issue a publicly available financial report for the plan; however, the financial activities of NYSHIP are included with the financial statements of the State of New York.

See independent auditors' report.

**INCORPORATED VILLAGE OF FLOWER HILL
COUNTY OF NASSAU - STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
May 31, 2014**

Note 9. Other Postemployment Benefits – (OPEB) (Continued)

Funding Policy

The Plan provides a specified percentage of the retiree health premium (and, if applicable, the retiree’s spouse’s premium) charged by the insurance carrier is paid by the Village. Beginning June 1, 2010 retired participants are provided with health coverage under the Empire Plan. Within the Empire Plan, family and individual options are available.

For full-time employees hired prior to December 1990, the Village will pay 100% of the individual employee’s health premium. For employees hired after 1990, there are no postemployment benefits provided.

At this time there is no New York State statute providing local governments with the authority for establishing a postemployment benefits trust. Since the Village cannot fund the OPEB liability at this time, the required contribution is based on a projected pay-as-you-go financing requirements. The contribution requirements of Plan members and the Village are established by the Board of Trustees. For the year ended May 31, 2014, the Village recognized a general fund expenditure of \$55,209 for currently enrolled retirees.

Annual OPEB Cost and Net OPEB Obligation

The Village’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Village has elected to calculate the ARC and related information using the projected unit credit actuarial cost method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The following table shows the components of the Village’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in Village’s net OPEB obligation to the retiree:

Annual required contribution (ARC)	\$ 51,049
Interest on net OPEB obligation	<u>240</u>
Annual OPEB cost (expense)	51,289
Contributions made	<u>(55,209)</u>
Change in net OPEB obligation	(3,920)
Net OPEB obligation - beginning of year	<u>4,817</u>
Net OPEB obligation - end of year	<u>\$ 897</u>

The Village’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal years 2014, 2013 and 2012 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Annual OPEB Cost</u>	<u>OPEB Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$51,049	\$51,289	\$55,209	108%	\$ 897
2013	\$51,049	\$51,358	\$52,728	103%	\$ 4,817
2012	\$58,898	\$59,910	\$65,550	109%	\$ 6,187

See independent auditors’ report.

**INCORPORATED VILLAGE OF FLOWER HILL
COUNTY OF NASSAU - STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
May 31, 2014**

Note 9. Other Postemployment Benefits – (OPEB) (Continued)

Funded Status and Funding Progress

As of May 31, 2013, the last valuation date, the actuarial accrued liability for benefits was \$809,820, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$667,893, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 1.21%.

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

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the May 31, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0% discount rate for the unfunded portion, and an annual healthcare cost rate of 5.0%.

Based on the historical and expected returns of the Village's short-term investment portfolio, a discount rate of 5 percent was used. In addition, the Village elected to use the projected unit credit actuarial cost method as allowed by GASB Statement No. 45. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at May 31, 2014, is twenty-five years.

Note 10. Commitments and Contingencies

Federal and State Grants

The Village is a recipient of various Federal and State grants. These grants are administered by various agencies. These grants are subject to various compliance and financial audits by the respective agencies administering the grants, which could result in certain disallowances. The Board believes that they have substantially complied with the rules and regulations as specified under the various grant agreements as well as the rules and regulation of the respective agency for each grant.

Tax Certiorari

There are presently pending against the Incorporated Village of Flower Hill a number of real property tax review proceedings requesting reductions in assessed valuations of various properties for both past and current years. The financial exposures in these cases are indeterminable at this time.

Other

The Village is subject to litigation in the ordinary conduct of its affairs. Management does not believe however, that such litigation, individually or in the aggregate, is likely to have a material effect on the financial statements.

Note 11. Subsequent Events

The Village has evaluated events and transactions that occurred through October 22, 2014, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

**INCORPORATED VILLAGE OF FLOWER HILL
COUNTY OF NASSAU - STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
May 31, 2014**

Note 12. Recent Accounting Principles

The GASB has issued the following Statements which will be effective in future years:

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* and Statement No. 68, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27*. GASB No. 67 and No. 68 changes how governments calculate and report the costs and obligations associated with pensions and improve the decision-usefulness of reported pension information and increase the transparency, consistency, and comparability of pension information. Statement No. 67 will take effect for periods beginning after June 15, 2013. Statement No. 68 will take effect for periods beginning after June 15, 2014. The Village does not believe these statements will have a material impact on its financial statements.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The requirements of the new statement become effective for fiscal periods beginning after June 15, 2014.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. The Village does not believe this statement will have a material impact on its financial statements.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013.

The Governmental Accounting Standards Board (GASB) has issues Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement should be applied simultaneously with the provisions of Statement 68.

The Village is currently evaluating the impact, if any, of the above pronouncements.

**INCORPORATED VILLAGE OF FLOWER HILL
COUNTY OF NASSAU – STATE OF NEW YORK**

SCHEDULE OF FUNDING PROGRESS OTHER POSTEMPLOYMENT BENEFITS (Unaudited)

Year Ended May 31, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
5/31/13	\$ -	\$809,820	\$809,820	0.0%	\$667,893	121%
5/31/10	<u>\$ -</u>	<u>\$807,167</u>	<u>\$807,167</u>	<u>0.0%</u>	<u>\$112,737</u>	<u>716%</u>

Next valuation date will be at 5/31/16.

**INCORPORATED VILLAGE OF FLOWER HILL
COUNTY OF NASSAU - STATE OF NEW YORK
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2014**

	ORIGINAL BUDGET	MODIFIED BUDGET	CURRENT YEAR ACTUAL	ENCUMBRANCES	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:					
Real property taxes	\$ 1,994,503	\$ 1,994,503	\$ 1,992,403		\$ (2,100)
Interest and penalties on real property taxes	21,118	21,118	8,272		(12,846)
Non property tax items	182,000	182,000	186,007		4,007
Departmental income	61,000	61,000	62,900		1,900
Use of money and property	5,900	5,900	6,358		458
Licenses and permits	304,500	304,500	707,204		402,704
Fines and forfeitures	75,000	75,000	68,428		(6,572)
Miscellaneous local sources	37,000	37,000	76,390		39,390
State aid	222,300	222,300	166,446		(55,854)
Federal aid	10,000	10,000	8,073		(1,927)
TOTAL REVENUES	2,913,321	2,913,321	\$ 3,282,481		\$ 369,160
OTHER FINANCING SOURCES					
Appropriated reserves	75,000	75,000			
Appropriated fund balance	260,000	260,000			
TOTAL REVENUES AND OTHER SOURCES	\$ 3,248,321	\$ 3,248,321			
EXPENDITURES:					
General government	\$ 799,104	\$ 783,285	\$ 596,919	\$ -	\$ 186,366
Public safety	783,253	805,942	800,135	-	5,807
Transportation	442,084	411,746	375,209	-	36,537
Culture and recreation	105,000	105,000	100,040	-	4,960
Home and community services	551,880	573,388	571,014	-	2,374
Employee benefits	492,000	493,960	492,410	-	1,550
TOTAL EXPENDITURES	3,173,321	3,173,321	2,935,727	-	237,594
OTHER FINANCING USES:					
Transfers out	75,000	75,000	-	-	75,000
TOTAL EXPENDITURES AND OTHER USES	\$ 3,248,321	\$ 3,248,321	\$ 2,935,727	\$ -	\$ 312,594

See independent auditor's report and notes to financial statements.