



**INCORPORATED
VILLAGE OF PATCHOGUE**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES WITH
INDEPENDENT AUDITOR'S REPORTS**

May 31, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Incorporated Village of Patchogue
Patchogue, New York

We have audited the accompanying financial statements of the Incorporated Village of Patchogue (Village) as listed in the table of contents as of and for the year ended May 31, 2012. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on the 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices prescribed and permitted by the New York State Office of the State Comptroller, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances of each fund and account group of the Incorporated Village of Patchogue, as of May 31, 2012 and their respective revenues and expenditures for the year then ended, in conformity with the basis of accounting described in Note 1.

As described in Note 2, "Changes in Accounting Principles", the Village has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of May 31, 2012.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2012, on our consideration of the Incorporated Village of Patchogue's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The accompanying financial information listed as supplementary schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has not been subjected to auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

Cullen & Danowski, LLP

October 4, 2012

INCORPORATED VILLAGE OF PATCHOGUE
Combined Balance Sheet - All Fund Types and Account Groups
 May 31, 2012

	Total Governmental Funds	Fiduciary Fund Agency	Account Groups		Total Village	Component Unit
			Fixed Assets	Long-Term Debt		
ASSETS						
Cash	\$ 8,006,123	\$ 413,337	\$	\$	\$ 8,419,460	\$ 590,852
Receivables						
Tax sale certificates	53				53	
Taxes receivable	2,135				2,135	
Accounts receivable	105,988				105,988	
Mortgage receivable	150,000				150,000	75,000
Due from other funds	37,728				37,728	
Due from state and federal	20,708				20,708	
Due from other governments	24,582				24,582	16,745
Due from primary government						85,886
Service award program assets		1,151,903			1,151,903	
Deferred expenditures	119,000				119,000	
General fixed assets			74,472,121		74,472,121	118,000
Amounts to be provided for long-term debt				8,076,966	8,076,966	
Total Assets	\$ 8,466,317	\$ 1,565,240	\$ 74,472,121	\$ 8,076,966	\$ 92,580,644	\$ 886,483
LIABILITIES						
Payables						
Accounts payable	\$ 315,767	\$	\$	\$	\$ 315,767	\$
Accrued liabilities	230,097				230,097	13,089
Due to other funds	37,728				37,728	
Due to component unit	85,886				85,886	
Due to employees' retirement system	112,168			46,692	158,860	
Compensated absences				785,274	785,274	
Other liabilities		1,565,240			1,565,240	
Notes payable						
Bond anticipation notes	9,193,628				9,193,628	
Deferred credits						
Deferred revenues	1,717,253				1,717,253	106,500
Bonds payable				7,245,000	7,245,000	
Total Liabilities	11,692,527	1,565,240	-	8,076,966	21,334,733	119,589
FUND EQUITY						
Investment in general fixed assets			74,472,121		74,472,121	118,000
Fund balances:						
Nonspendable:	269,000				269,000	75,000
Reserved for:						
Special projects	1,518,261				1,518,261	
Parks and conservations	55,531				55,531	
Assigned:						
Appropriated fund balance	480,000				480,000	
Unappropriated fund balance	481,521				481,521	
Unassigned: Fund balance (deficit)	(6,030,523)				(6,030,523)	573,894
Total Fund Equity	(3,226,210)	-	74,472,121	-	71,245,911	766,894
Total Liabilities and Fund Equity	\$ 8,466,317	\$ 1,565,240	\$ 74,472,121	\$ 8,076,966	\$ 92,580,644	\$ 886,483

INCORPORATED VILLAGE OF PATCHOGUE
Combined Balance Sheet - All Fund Types and Account Groups (Continued)
 May 31, 2012

	General	Sewer	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 5,832,452	\$ 2,035,555	\$ -	\$ -	\$ 138,116	\$ 8,006,123
Receivables						
Tax sale certificates	53					53
Taxes receivable		2,135				2,135
Accounts receivable	85,988	20,000				105,988
Mortgage receivable	150,000					150,000
Due from other funds	37,728					37,728
Due from state and federal	20,708					20,708
Due from other governments	24,582					24,582
Due from component unit						-
Service award program assets						-
Deferred expenditures	119,000					119,000
General fixed assets						-
Amounts to be provided for long-term debt						-
Total Assets	\$ 6,270,511	\$ 2,057,690	\$ -	\$ -	\$ 138,116	\$ 8,466,317
LIABILITIES						
Payables						
Accounts payable	\$ 90,786	\$ 6,037	\$ -	\$ 206,608	\$ 12,336	\$ 315,767
Accrued liabilities	209,026	18,636			2,435	230,097
Due to other funds				37,728		37,728
Due to component unit	85,886					85,886
Due to employees' retirement system	112,168					112,168
Compensated absences						-
Other liabilities						-
Notes payable						
Bond anticipation note				9,193,628		9,193,628
Deferred credits						
Deferred revenues	1,551,700	144,233			21,320	1,717,253
Bonds payable						-
Total Liabilities	2,049,566	168,906	-	9,437,964	36,091	11,692,527
FUND EQUITY						
Investment in general fixed assets						-
Fund balances:						
Nonspendable: Prepays	269,000					269,000
Reserved for:						
Special projects		1,504,065			14,196	1,518,261
Parks and conservations					55,531	55,531
Assigned:						
Appropriated fund balance	480,000					480,000
Unappropriated fund balance	64,504	384,719			32,298	481,521
Unassigned: Fund balance (deficit)	3,407,441			(9,437,964)		(6,030,523)
Total Fund Equity (Deficit)	4,220,945	1,888,784	-	(9,437,964)	102,025	(3,226,210)
Total Liabilities and Fund Equity	\$ 6,270,511	\$ 2,057,690	\$ -	\$ -	\$ 138,116	\$ 8,466,317

INCORPORATED VILLAGE OF PATCHOGUE
Combined Statement of Revenues, Expenditures and
Changes in Fund Equity - All Fund Types
For The Year Ended May 31, 2012

	<u>Total Governmental Funds</u>	<u>Component Unit</u>
REVENUES		
Real property taxes	\$ 6,518,693	\$
Other tax items	1,067,093	
Non-property tax items	422,947	
Departmental income	2,795,833	
Intergovernmental charges	14,644	
Use of money and property	64,820	243
Licenses and permits	1,012,423	
Fines and forfeitures	433,754	
Sale of property and compensation for loss	100,439	
Miscellaneous	25,689	72,036
State sources	989,914	
Federal sources	20,634	2,236,021
	<u>13,466,883</u>	<u>2,308,300</u>
Total Revenues		
EXPENDITURES		
General government support	2,851,964	
Public safety	2,002,106	
Health	2,000	
Transportation	1,164,457	
Economic opportunity and development	89,930	
Culture and recreation	622,091	
Home and community services	3,064,978	2,426,953
Employee benefits	2,647,518	
Debt service		
Principal	1,142,000	
Interest	243,113	
	<u>13,830,157</u>	<u>2,426,953</u>
Total Expenditures		
Excess (Deficiency) of Revenues Over Expenditures	<u>(363,274)</u>	<u>(118,653)</u>
OTHER SOURCES AND USES		
Operating transfers in	1,103,113	
Operating transfers out	(1,103,113)	
Proceeds of long-term obligations	1,400,000	
BAN redeemed from appropriation	282,000	
	<u>1,682,000</u>	<u>-</u>
Total Other Sources and Uses		
Net Change in Fund Equity	1,318,726	(118,653)
Fund Equity - Beginning of year	<u>(4,544,936)</u>	<u>885,547</u>
Fund Equity - End of year	<u>\$ (3,226,210)</u>	<u>\$ 766,894</u>

INCORPORATED VILLAGE OF PATCHOGUE
Combined Statement of Revenues, Expenditures and
Changes in Fund Equity - All Fund Types (Continued)
For The Year Ended May 31, 2012

	General	Sewer	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Real property taxes	\$ 6,353,784	\$	\$	\$	\$ 164,909	\$ 6,518,693
Other tax items	99,871	967,222				1,067,093
Non-property tax items	422,947					422,947
Departmental income	2,687,591	107,042			1,200	2,795,833
Intergovernmental charges	14,644					14,644
Use of money and property	61,739	2,925			156	64,820
Licenses and permits	358,710	653,713				1,012,423
Fines and forfeitures	433,754					433,754
Sale of property and compensation for loss	100,439					100,439
Miscellaneous	3,223	2,466		20,000		25,689
State sources	230,074	18,099		736,869	4,872	989,914
Federal sources	20,634					20,634
Total Revenues	10,787,410	1,751,467	-	756,869	171,137	13,466,883
EXPENDITURES						
General government support	2,020,588	182,581		644,795	4,000	2,851,964
Public safety	1,640,500			296,918	64,688	2,002,106
Health	2,000					2,000
Transportation	1,164,457					1,164,457
Economic opportunity and development					89,930	89,930
Culture and recreation	620,261			1,830		622,091
Home and community services	1,089,416	728,688		1,246,874		3,064,978
Employee benefits	2,488,978	153,524			5,016	2,647,518
Debt service						
Principal		282,000	860,000			1,142,000
Interest			243,113			243,113
Total Expenditures	9,026,200	1,346,793	1,103,113	2,190,417	163,634	13,830,157
Excess (Deficiency) of Revenues Over Expenditures	1,761,210	404,674	(1,103,113)	(1,433,548)	7,503	(363,274)
OTHER SOURCES AND USES						
Operating transfers in			1,103,113			1,103,113
Operating transfers out	(1,023,782)	(49,331)			(30,000)	(1,103,113)
Proceeds of long-term obligations				1,400,000		1,400,000
BAN redeemed from appropriations				282,000		282,000
Total Other Sources and Uses	(1,023,782)	(49,331)	1,103,113	1,682,000	(30,000)	1,682,000
Net Change in Fund Equity	737,428	355,343	-	248,452	(22,497)	1,318,726
Fund Equity (Deficit) - Beginning of year	3,483,517	1,533,441	-	(9,686,416)	124,522	(4,544,936)
Fund Equity (Deficit) - End of year	\$ 4,220,945	\$ 1,888,784	\$ -	\$ (9,437,964)	\$ 102,025	\$ (3,226,210)

INCORPORATED VILLAGE OF PATCHOGUE
Statement of Revenues, Expenditures and Changes in Fund
Equity - Budget and Actual - General Fund
For The Year Ended May 31, 2012

	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
REVENUES				
Real property taxes	\$ 6,353,399	\$ 6,353,784	\$	\$ 385
Other real property tax items	83,100	99,871		16,771
Non-property tax items	388,000	422,947		34,947
Departmental income	2,562,919	2,687,591		124,672
Intergovernmental charges	10,000	14,644		4,644
Use of money and property	65,655	61,739		(3,916)
Licenses and permits	408,500	358,710		(49,790)
Fines and forfeitures	230,000	433,754		203,754
Sale of property and compensation for loss	74,000	100,439		26,439
Miscellaneous		3,223		3,223
State sources	194,000	230,074		36,074
Federal sources		20,634		20,634
Total Revenues	10,369,573	10,787,410	-	417,837
EXPENDITURES				
General government support	2,177,131	2,020,588	43,127	113,416
Public safety	1,702,873	1,640,500	300	62,073
Health	2,000	2,000		-
Transportation	1,324,747	1,164,457	4,583	155,707
Culture and recreation	711,853	620,261	16,494	75,098
Home and community services	1,180,033	1,089,416		90,617
Employee benefits	2,496,345	2,488,978		7,367
Total Expenditures	9,594,982	9,026,200	64,504	504,278
Excess (Deficiency) of Revenues Over Expenditures	774,591	1,761,210	(64,504)	922,115
OTHER USES				
Operating transfers out	(1,053,782)	(1,023,782)	-	30,000
Total Other Uses	(1,053,782)	(1,023,782)	-	30,000
Net Change in Fund Equity	(279,191)	737,428	\$ (64,504)	\$ 952,115
Fund Equity - Beginning of year	279,191	3,483,517		
Fund Equity - End of year	\$ -	\$ 4,220,945		

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Incorporated Village of Patchogue (Village), as of and for the year ended May 31, 2012, have been prepared using accounting practices prescribed and permitted by the New York State Office of the State Comptroller, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The financial statements of the Village have been prepared using only the modified accrual basis of accounting. This method differs from GAAP, which requires the preparation of additional financial statements using the accrual basis of accounting. The accrual basis financial statements require the capitalization and depreciation of property and equipment and the recording of long-term liabilities. Under the modified accrual basis of accounting, property and equipment are recorded as an expenditure when purchased and long-term liabilities are recognized when paid. In addition, GAAP requires the financial statements to be prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB 34 financial statements require the presentation of government-wide financial statements and management's discussion and analysis. The accounting practices used to prepare these financial statements do not require compliance with GASB 34.

The significant accounting policies of the Village are described below:

a) **Financial Reporting Entity**

The Village of Patchogue, which was incorporated in 1893, is governed by Charter of the State of New York, the Village law and other general Laws of the State of New York and various local laws and ordinances. The Village is governed by the Mayor and the Board of Trustees, which is the legislative body responsible for the overall operation of the Village consisting of six members. The Mayor serves as chief executive officer and the Treasurer serves as chief fiscal officer of the Village.

The following basic services are provided: garbage collection, highway maintenance, sewage treatment in the central business district, ambulance service, several parks with organized recreational activities, programs for the aged and snow removal.

The financial reporting entity includes organizations, functions and activities over which elected officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Based on the foregoing and the criteria set forth in GASB 14 and the significant factors presented below, the following activity is considered a component unit and as such, is not included in the reporting unit but is a discretely presented component unit.

The Village of Patchogue Community Development Agency (Agency) is a public benefit corporation created by a special act of the State Legislature in 1980 pursuant to Article 15-A of the General Municipal Law. Its purpose is to promote the sound growth and development of the Village of Patchogue through the correction of substandard, unsanitary, blighted, deteriorated or deteriorating conditions, factors and characteristics, by the clearance replanning, reconstruction, redevelopment, subsidization, rehabilitation, restoration or conservation of such areas, the undertaking of public and private improvement of housing programs related thereto and the encouragement of participation in these programs by private enterprise.

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
(Continued)

Members of the Agency are appointed by the Village's governing body. The Agency is delegated the responsibility, fiscal and otherwise, for administering federal, state or other grant for which the Village of Patchogue is the grantee or sub-grantee. The Agency operates, as delegated by the Village Board of Trustees and the Section 8 Existing Housing Program. The Program utilizes its annual Department of Housing and Urban Development allotment of funding for the purpose of subsidizing the rents of lower income Village Residents and for program administration. The Agency is used to account for community development block grants received from the U.S. Department of Housing and Urban Development.

b) Basis of Presentation

The accounts of the Village are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. These funds and account groups are based upon the requirements of GAAP for local governmental units as prescribed by the GASB as well as the Uniform System of Accounts for Villages (the State System). The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are grouped in the financial statements in the following fund types and account groups:

i) Governmental Fund Types

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 based upon the determination of financial position and changes in financial position. The following are the Village's governmental fund types:

- A. General Fund - the general fund is the principal operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.
- B. Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Sewer Fund – used to account for transactions of the Village sewer system.

Business Improvement District Fund – used to account for transactions of the Village Business Improvement District including, but not limited to, administration, district operations, public relations and implementation of all eligible activities and district improvement in accordance with General Municipal Law.

Parkland Fund – is used to account for special assessments from subdivisions that are specifically restricted for the improvement and conservation of parklands within the Village.

The Business Improvement District Fund and the Parkland Fund are reflected as other governmental funds in the financial statements.

- C. Debt Service Fund – used to account for current payments of principal and interest on general obligation long-term debt.
- D. Capital Projects Fund - the capital projects fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
(Continued)

ii) Fiduciary Fund Types

Fiduciary funds consisting of agency funds, are used to account for assets held by the Village in a trustee or custodial capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

iii) Account Groups

Account groups are used to establish accounting control and long-term debt accountability for the Village's general fixed assets. The account groups are not funds. They are concerned only with the measurement of financial position and not with the results of operations.

General Fixed Assets Account Group - is used to account for land, construction in progress, buildings and improvements, and machinery and equipment of the Village.

General Long-Term Debt Account Group - is used to account for long-term obligations of the Village including bonds, most obligations under lease/purchase and other financing arrangements, compensated absences, and other long-term obligations.

iv) Component Unit Funds

Community Development Fund – as described above.

c) Measurement Focus/Basis of Accounting

Measurement focus is the determination of what is measured. Measurement focus is a concept that embraces the objective of financial accounting and reporting. The objective of financial accounting and reporting is to measure the flow of resources through the Village. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included in the fund types on the balance sheet. Operating statements of these fund types present increases (i.e. revenues and other sources) and decreases (i.e. expenditures and other uses) in fund equity.

The basis of accounting determines when revenues and expenditures are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. The State System, which is in accordance with GAAP, requires that the Village use the modified accrual basis of accounting for recording transactions in its governmental fund types as applicable. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A sixty-day availability period is used for recognition of property taxes, and a one-year availability period is used for recognition of all other governmental fund revenues. If expenditure is the primary factor for determining reimbursement under the terms of a grant, revenue is recognized when the expenditure is incurred. Expenditures are recorded when the liability is incurred except that:

- i) Principal and interest on long-term debt is recognized as an expenditure when due;
- ii) Interest on short-term debt is recognized as an expenditure when due;
- iii) Unfunded pension costs are recognized as an expenditure when billed by the State; and

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
(Continued)

iv) Compensated absences for vacation leave and other compensated absences with similar characteristics and additional salary-related payments are recognized as a liability as the benefits are earned by the employees, based on the rendering of past service and the probability that the employees will be compensated for the benefits through paid time off or some other means.

v) Other unfunded long-term debt, which is recognized as expenditures when payable.

Property taxes, franchise taxes, licenses, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

d) Property Taxes

Real property taxes are levied no later than May 15th and become a lien on June 1st. The Village collects its own taxes. Taxes are collected during the month of June without penalty. A 5% penalty is assessed on taxes paid after July 1, and an additional 1% is assessed each month on taxes paid after July. Unpaid Village taxes are collected through tax lien sales.

e) 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.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables are netted on the accompanying Combined 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 is provided subsequently in these Notes to Financial Statements.

f) Estimates

The preparation of the 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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

g) Cash and Cash Equivalents

For financial statement purposes, all highly liquid investments having maturities of three months or less are considered as cash equivalents.

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
(Continued)

h) Receivables

Receivables are shown net of allowance for uncollectible amounts, if any. However, no allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

i) General Fixed Assets

General fixed assets purchased are recorded at cost as expenditures in the respective funds at time of purchase and removed when the asset is sold or retired. Such assets are accounted for in the general fixed asset account group. Donated items are valued at estimated fair market value when given.

No depreciation has been provided on general fixed assets nor has interest on general fixed assets construction in progress been capitalized.

	Capitalization Threshold	Estimated Useful Life
Buildings	\$ 1,000	20-50 years
Land Improvements	1,000	20-50 years
Infrastructure	1,000	20 years
Furniture, Fixtures and Equipment	1,000	5-20 years

j) Deferred Expenditures

Deferred expenditures are payments to others that benefit future reporting periods.

k) Deferred Revenues

Deferred revenues are reported as a liability on the combined balance sheet. Deferred revenues arise when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Village before it has a legal claim to them. In subsequent periods, when both recognition criteria are met, or when the Village has legal claim to the resources, the liability for deferred revenues is removed and revenues are recognized.

l) Employee Benefits

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods.

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Upon retirement, resignation, or death, employees may be eligible to receive the value of unused accumulated sick leave.

The compensated absences liability is recorded in the Long-Term Debt Account Group. A liability for these amounts may be recorded on the Combined Balance Sheet to the extent payments become due because of employee retirement or resignation.

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

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
(Continued)

m) Short-Term Debt

The Village may issue bond anticipation notes (BAN), 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 the notes. State law requires the BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

n) Accrued Liabilities and Long-Term Obligations

The Combined Balance Sheet reports payables and accrued liabilities of the governmental funds to the extent that they are due and payable within a current period and are paid in a timely manner 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 to the extent they are due for payment in the current year.

Long term obligations represent the Village's future obligations or future economic outflows. The liabilities are reported in the General Long Term Debt Account Group on the Combined Balance Sheet.

o) Postemployment Benefits

In addition to providing pension benefits, the Village provides health insurance coverage and survivor benefits for certain retired employees and their survivors. Collective bargaining agreements determine if certain Village employees are eligible for these benefits if they reach normal retirement age while working for the Village. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Village recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid.

p) Fund Balance

During the year ended May 31, 2012 the Village implemented GASB 54, (see Note 2 "Changes in Accounting Principles" for additional information). Under GASB 54, the fund balance now consists of five classifications; however, the Village only utilizes the following four:

Nonspendable – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, and long-term portions of loans, and financial assets:

Restricted – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by credits, grants, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. Restricted fund balances, generally referred to as 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. Fund balance reserves currently in use by the Village include the following:

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
(Continued)

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 includes an amount appropriated to partially fund the subsequent year’s budget. Assigned fund balance also includes encumbrances not classified as restricted or committed at the end of the fiscal 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, the unassigned classification should be used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Fund Balance Classification

Any portion of fund balance may be applied or transferred for a specific purpose either by voter approval if required by law or by formal action of the Board of Trustees if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Trustees.

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 to the unassigned fund balance.

Reserve for Special Projects

This represents monies to be used for future sewer upgrades and capital projects. The reserve is accounted for in the sewer and business improvement district funds.

Reserve for Parks and Conservations

This reserve represents fees received from landowners that have received approval for land subdivision. These fees will be used for future park and conservation projects, which are included in the parkland fund. The reserve is accounted for in the private purpose trust fund.

2. CHANGES IN ACCOUNTING PRINCIPLES

In February 2009, GASB released GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which was implemented by the Village during the year ended May 31, 2012. GASB 54 requires local governments to focus on the constraints imposed upon resources when reporting fund balance in governmental funds. The new fund balance components will indicate the level of constraints placed upon how resources can be spent and identify the sources of these constraints. In addition, GASB 54 abandons the reserved and unreserved classifications of fund balance and replaces them with five new classifications: nonspendable, restricted, committed, assigned and unassigned.

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
(Continued)

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

i) Budget Policies

The Village's budget policies are as follows:

- A. The Village's administration submits a tentative budget to the Board of Trustees. The tentative budget includes proposed expenditures and the proposed means of financing for the general fund.
- B. A public hearing is held on the tentative budget by April 15th. After completion of the budget hearing, the Board of Trustees may further change the tentative budget. Such budget, as so revised, shall be adopted by resolution no later than May 1st.
- C. All subsequent modifications of the budget must be approved by the Board of Trustees.

ii) Budget Basis of Accounting

Appropriations authorized for the current year are increased by the amount of the encumbrances carried forward from the prior year. 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 for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Trustees as a result of selected new revenue source 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 Village had \$83,475 in supplementary appropriations funded by unappropriated fund balance.

B. Deficit Fund Balance

The capital projects fund had a deficit fund balance of \$9,437,964 at May 31, 2012. The deficit will be eliminated as short-term debt is redeemed or converted to permanent financing, by future appropriations or through receipt of grants.

4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The Village's investment policies are governed by state statutes and Village policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. 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 and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United State and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
(Continued)

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

None of the Village's aggregate bank balances, not covered by depository insurance, were exposed to custodial credit risk as described above at year-end.

The Village did not have any investments at year-end or during the year. Consequently, the Village was not exposed to any material interest rate risk or foreign currency risk.

5. MORTGAGE RECEIVABLE

The Village is holding a subordinate mortgage in the amount of \$150,000, which is due on December 10, 2039 and bears no interest. The subordinate mortgage is secured by an interest in real property. The Borrower is not required to make principal or interest payments except in the event of default. On maturity date, the entire unpaid principal balance shall be due and payable.

6. INTERFUND TRANSACTIONS

Interfund balances at May 31, 2012, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 37,728	\$	\$	\$ 1,023,782
Sewer Fund				49,331
Business Improvement District Fund				30,000
Debt Service Fund			1,103,113	
Capital Projects Fund		37,728		
Total	\$ 37,728	\$ 37,728	\$ 1,103,113	\$ 1,103,113

7. GENERAL FIXED ASSETS

A summary of changes in the Village's general fixed assets is as follows:

	Balance			Balance
	June 1, 2011			Additions
Land	\$ 4,041,539	\$	\$	\$ 4,041,539
Construction in progress	1,990,219			1,990,219
Buildings	25,252,360	1,699,298	(3,148,998)	23,802,660
Land improvements	2,659,935	358,973	(892,602)	2,126,306
Infrastructure	39,092,404			39,092,404
Furniture, Fixtures and Equipment	4,400,266	92,511	(1,073,784)	3,418,993
Capital assets, net	\$ 77,436,723	\$ 2,150,782	\$ (5,115,384)	\$ 74,472,121

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
(Continued)

A summary of changes in the component unit's general fixed assets is as follows:

	Balance June 1, 2011	Additions	Reductions	Balance May 31, 2012
Land	\$ 118,000	\$ -	\$ -	\$ 118,000

8. BOND ANTICIPATION NOTE

Transactions in the bond anticipation note for the year are summarized below:

	Balance May 31, 2011	Issued	Redeemed	Balance May 31, 2012
BAN	\$ 6,929,229	\$ 2,546,399	\$ (282,000)	\$ 9,193,628

The bond anticipation note (BAN) represents advances from the New York State Environmental Facilities Corporation for the Village's wastewater treatment facility upgrade project. The BAN bears no interest and matures on August 27, 2012. Once the project is completed, \$5,439,441 of the BAN will be satisfied through the use of ARRA revenue (federal aid) and the balance of the financing will be converted to long term financing (serial bonds).

9. COMPENSATED ABSENCES

Pursuant to a resolution of the governing board and contractual agreements, the Village's employees are entitled to accrue a maximum of 300 days of sick leave, 4 to 6 weeks or more of vacation leave, and 4 to 6 days of personal leave. An individual who leaves the employ of the Village is entitled to be paid for unused vacation and a maximum of 60% to 100% of accumulated sick leave up to a maximum of 87-1/2 to 200 days.

Employees upon retirement or separation (except for discharge for cause), shall be paid for unused sick leave, provided they have accrued a minimum of thirty (30) days, as follows: 60% up to 50 days, 70% from 51 days to 75 days, 80% from 76 days to 100 days, 90% from 101 days to 125 days, and 100% from 126 days to 200 days.

The compensated absence liability is based on current employee salary rates.

10. POST RETIREMENT BENEFITS

In addition to providing pension benefits, the Village provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the Village's employees may become eligible for these benefits if they reach normal retirement age while working for the Village. Health care benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Village recognizes the cost of providing benefits by recording its share of insurance premiums amounting to \$387,598 for 36 recipients as an expenditure for fiscal year ended May 31, 2012. Of the 36 recipients, five are surviving spouses who paid 25% or \$12,488, two are retirees paying 50% or \$14,926 and one is a vested former employee paying 100% or \$8,421 toward the cost of their health insurance during the fiscal year ended May 31, 2012.

In addition, the Village reimburses those retirees and spouses who are 65 years or older and have Medicare benefits. The amount of this expense for 28 retirees and 14 spouses was \$48,236 for the fiscal year ended May 31, 2012.

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
(Continued)

11. LONG-TERM LIABILITIES

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

	Balance June 1, 2011	Additions	Reductions	Balance May 31, 2012
Long-term debt:				
Bonds payable	\$ 6,705,000	\$ 1,400,000	\$ 860,000	\$ 7,245,000
Other long-term liabilities				
Compensated absences	698,589	86,685		785,274
Due to employees' retirement system	62,254		15,562	46,692
	<u>\$ 7,465,843</u>	<u>\$ 1,486,685</u>	<u>\$ 875,562</u>	<u>\$ 8,076,966</u>

Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at May 31, 2012
Serial bond	10/15/2006	7/15/2022	3.88%	\$ 3,525,000
Serial bond	10/15/2008	7/15/2022	3.00%	725,000
Serial bond	1/15/2010	6/15/2016	2.50%	1,595,000
Serial bond	5/29/2012	6/15/2032	2.50%	1,400,000
				<u>\$ 7,245,000</u>

The following is a summary of maturing debt service requirements for the bonds:

Fiscal Year Ending May 31,	Principal	Interest	Total
2013	\$ 890,000	\$ 234,705	\$ 1,124,705
2014	855,000	218,287	1,073,287
2015	870,000	186,225	1,056,225
2016	910,000	152,828	1,062,828
2017	895,000	118,447	1,013,447
2018 - 2022	2,125,000	285,547	2,410,547
2023 - 2027	250,000	88,812	338,812
2028 - 2032	375,000	41,719	416,719
2033	75,000	1,219	76,219
Total	<u>\$ 7,245,000</u>	<u>\$ 1,327,789</u>	<u>\$ 8,572,789</u>

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
(Continued)

12. PENSION PLANS

Pension Plans - New York State

Plan Description

The Village participates in the New York State and Local Employees' Retirement System (ERS). The System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

The ERS is established pursuant to the New York State Retirement and Social Security Law to provide benefits for the state, local governments, and their employees. ERS plan benefits are guaranteed by the state constitution.

The System 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). The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Office of the State Comptroller, 110 State Street, Albany, NY 12244.

Funding Policy

The System is a noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The following represents information related to the Village's participation in the system's pension plan. All contributions are based on annual covered payroll:

Year	ERS
2012	\$ 685,341
2011	429,496
2010	264,331

The Village's contribution made to the System was equal to 100 percent of the contribution required for the year.

Service Award Program for the Patchogue Fire Department

Effective January 1, 1991, the Village established a Service Award Program (the "Program") for the Patchogue Fire Department. Each active volunteer fire fighter will be included as a participant in the Program on the first January 1 following the completion of one year of service, provided the fire fighter has attained age 18. A year of service is credited for each program year in which the participant compiles at least 50 points. Points are awarded in accordance with the system adopted by the Patchogue Fire Department. The monthly accrued service award, as of any date of determination, is \$20 per month multiplied by years of service up to a maximum of 40 years, including up to 5 years of service prior to January 1, 1991.

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
(Continued)

No contributions were made to the Service Award Program as, effective January 1, 1999; the Fire Department became a separate taxing authority and is no longer a part of the Village. The Village has not had an actuarial valuation since then. The Village is responsible for those volunteer fire fighters who have vested as of December 31, 1998. The balance of the plan's assets, as of May 31, 2012, is \$1,151,903, which is accounted for in the Village's Trust & Agency fund.

13. ASSIGNED APPROPRIATED FUND BALANCE

The amount of \$480,000 has been appropriated to reduce taxes for the year ending May 31, 2013.

14. COMMITMENTS AND CONTINGENCIES

A. Grants

The Village has received grants which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on past audits, the Village believes disallowances, if any, will be immaterial.

B. Certiorari Proceedings

From time to time, the Village is involved in certiorari proceedings under which taxpayers seek reduction in the assessed value of property upon which taxes are measured. A reduction in assessed valuation may result in a refund of real property taxes previously paid by the claimant. It is not possible to estimate the amount of refunds, if any, that the Village may be required to make for taxes collected through May 31, 2012, which could affect future operating budgets of the Village.

C. Litigation

The Village is a defendant in several lawsuits arising from the normal conduct of its affairs. The administration is of the opinion that settlements, if any, of the aforementioned litigation will not have a material adverse impact on the financial position of the Village.

INCORPORATED VILLAGE OF PATCHOGUE
Schedule of Revenues Compared to Budget - General Fund
For The Year Ended May 31, 2012

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real Property Taxes				
Real property taxes	\$ 6,344,744	\$ 6,353,399	\$ 6,353,784	\$ 385
Total Real Property Taxes	6,344,744	6,353,399	6,353,784	385
Other Real Property Tax Items				
Other payments in lieu of taxes	50,000	50,000	55,354	5,354
Interest and penalties	33,100	33,100	44,517	11,417
Total Other Real Property Tax Items	83,100	83,100	99,871	16,771
Non-Property Tax Items				
Utilities gross receipts tax	160,000	160,000	204,197	44,197
Franchise fees	190,000	190,000	206,598	16,598
Non-property tax, other	38,000	38,000	12,152	(25,848)
Total Non-Property Tax Items	388,000	388,000	422,947	34,947
Departmental Income				
Charges for tax redemption	500	500	768	268
Treasurer Fees	200	200		(200)
Clerk fees	3,300	3,300	4,866	1,566
Personnel fees	-	4,000	4,730	730
Safety inspection fees	75,000	75,000	80,525	5,525
Other public safety departmental income	235,674	235,674	233,408	(2,266)
Public works charges	10,000	10,000	108,761	98,761
Parking meter fees non-taxable	36,000	36,000	49,185	13,185
Park and recreational charges	45,000	45,000	45,183	183
Special recreational facility charges	118,000	118,000	121,892	3,892
Zoning fees	5,000	5,000	8,444	3,444
Planning board fees	15,000	15,000	17,464	2,464
Refuse and garbage charges	2,019,616	2,015,245	2,012,365	(2,880)
Total Departmental Income	2,563,290	2,562,919	2,687,591	124,672
Intergovernmental Charges				
Snow removal fees	10,000	10,000	14,644	4,644
Total Intergovernmental Charges	10,000	10,000	14,644	4,644
Use of Money and Property				
Interest and earnings	15,000	15,000	6,999	(8,001)
Rental of real property	50,655	50,655	54,740	4,085
Total Use of Money and Property	65,655	65,655	61,739	(3,916)
Licenses and Permits				
Licenses	15,500	14,500	22,910	8,410
Permits	393,000	394,000	335,800	(58,200)
Total Licenses and Permits	408,500	408,500	358,710	(49,790)
Fines and Forfeitures				
Fines and forfeitures	230,000	230,000	433,754	203,754
Forfeitures of deposits	4,000	-	-	-
Total Fines and Forfeitures	234,000	230,000	433,754	203,754

INCORPORATED VILLAGE OF PATCHOGUE
Schedule of Revenues Compared to Budget - General Fund (Continued)
For The Year Ended May 31, 2012

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES (Continued)				
Sale of Property and Compensation for Loss				
Minor sales	\$ 1,500	\$ 1,500	\$ 543	\$ (957)
Sales, other	56,500	56,500	27,458	(29,042)
Insurance recoveries	16,000	16,000	72,438	56,438
Total Sale of Property and Compensation for Loss	<u>74,000</u>	<u>74,000</u>	<u>100,439</u>	<u>26,439</u>
Miscellaneous				
Refund of prior year's expenditures	-	-	3,223	3,223
Total Miscellaneous	<u>-</u>	<u>-</u>	<u>3,223</u>	<u>3,223</u>
State Aid				
Revenue sharing	92,000	92,000	92,781	781
Mortgage tax	100,000	100,000	128,239	28,239
FEMA	-	2,000	6,880	4,880
Other general government aid	2,000	-	2,174	2,174
Total State Aid	<u>194,000</u>	<u>194,000</u>	<u>230,074</u>	<u>36,074</u>
Federal Aid				
Federal disaster assistance	-	-	20,634	20,634
Total Federal Aid	<u>-</u>	<u>-</u>	<u>20,634</u>	<u>20,634</u>
Total Revenues	<u>10,365,289</u>	<u>10,369,573</u>	<u>\$ 10,787,410</u>	<u>\$ 417,837</u>
Carried forward from prior year	<u>200,000</u>	<u>279,191</u>		
Total Revenues and Other Sources	<u>\$ 10,565,289</u>	<u>\$ 10,648,764</u>		

INCORPORATED VILLAGE OF PATCHOGUE
Schedule of Expenditures, Other Uses and Encumbrances
Compared to Budget - General Fund
For The Year Ended May 31, 2012

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES					
General Government Support					
Legislative board					
Personal services	\$ 64,800	\$ 63,800	\$ 61,800	\$ 806	\$ 2,000
Contractual services	1,250	2,000	1,104		90
Village justice court					
Personal services	91,187	92,787	91,356		1,431
Equipment	3,000		-		-
Contractual services	36,850	37,600	28,904	91	8,605
Traffic violations					
Personal services	50,924	51,824	51,649		175
Mayor					
Personal services	28,800	28,800	28,800		-
Contractual services	5,500	5,500	4,247	75	1,178
Auditor					
Contractual services	25,000	32,250	4,250	28,000	-
Treasurer					
Personal services	165,454	135,754	132,598		3,156
Equipment	1,500	1,600	1,589		11
Contractual services	7,500	8,070	6,745		1,325
Assessment					
Personal services	44,299	44,624	44,553		71
Equipment	400	300	-		300
Contractual services	7,800	7,575	7,428		147
Tax advertising expense					
Contractual services	500	500	211		289
Fiscal agent fees					
Contractual services	-	29,000	24,481		4,519
Clerk and staff					
Personal services	171,563	171,463	158,595		12,868
Equipment	4,000	130	130		-
Contractual services	123,000	116,620	111,376	205	5,039
Law					
Contractual services	140,000	140,000	136,956		3,044
Engineer					
Contractual services	80,000	105,956	88,862	5,500	11,594
Elections					
Contractual services	-	10,600	10,357		243
Buildings - village hall					
Personal services	68,412	65,912	56,184		9,728
Equipment	2,000		-		-
Contractual services	92,200	86,200	48,122	3,863	34,215
Central garage					
Personal services	136,744	135,744	132,404		3,340
Equipment	25,000	7,500	6,579		921
Contractual services	311,750	333,398	325,033	4,587	3,778
Unallocated insurance					
Contractual services	196,368	212,368	211,743		625
Municipal association dues					
Contractual services	5,131	5,161	5,131		30
Refund of taxes					
Contractual services	50,000	225,000	224,932		68
Payment of MTA payroll tax					
Contractual services	14,140	14,640	14,469		171
Contingent account					
Contractual services	90,000	4,455			4,455
Total General Government Support	<u>2,045,072</u>	<u>2,177,131</u>	<u>2,020,588</u>	<u>43,127</u>	<u>113,416</u>

INCORPORATED VILLAGE OF PATCHOGUE
Schedule of Expenditures, Other Uses and Encumbrances
Compared to Budget - General Fund (Continued)
For The Year Ended May 31, 2012

EXPENDITURES (Continued)	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
Public Safety					
Safety administration					
Personal services	\$ 238,739	\$ 238,739	\$ 235,448	\$	\$ 3,291
Equipment	700		-		-
Contractual services	7,475	8,175	6,639		1,536
Traffic					
Contractual services	50,000	50,000	35,773		14,227
Parking					
Personal services	54,496	54,996	54,915		81
Contractual services	1,875	1,375	375		1,000
Safety inspections					
Personal services	610,088	629,588	627,159		2,429
Equipment	4,500	13,000	11,797		1,203
Contractual services	114,600	107,600	69,022	300	38,278
Miscellaneous public safety					
Contractual services	565,200	599,400	599,372		28
Total Public Safety	<u>1,647,673</u>	<u>1,702,873</u>	<u>1,640,500</u>	<u>300</u>	<u>62,073</u>
Health					
Registrar of vital statistics					
Personal services	2,000	2,000	2,000		-
Total Health	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>-</u>
Transportation					
Street administration					
Personal services	763,428	833,428	820,943		12,485
Equipment	11,000	6,825	5,420		1,405
Contractual services	108,000	209,394	152,415		56,979
Snow removal					
Personal services	65,000	13,000	12,518		482
Equipment	10,000		-		-
Contractual services	6,000	10,500	10,187		313
Street lighting					
Personal services	34,400	34,400	7,140		27,260
Contractual services	211,000	211,000	153,613	4,583	52,804
Off street parking					
Contractual services	6,200	6,200	2,221		3,979
Total Transportation	<u>1,215,028</u>	<u>1,324,747</u>	<u>1,164,457</u>	<u>4,583</u>	<u>155,707</u>
Economic Assistance and Opportunity					
Publicity					
Contractual services	5,000		-		-
Total Economic Assistance and Opportunity	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Culture and Recreation					
Recreational administration					
Personal services	51,875	52,325	52,282		43
Contractual services	4,450	2,000	1,797	63	140
Parks					
Personal services	216,932	219,932	219,665		267
Equipment	14,000	16,733	16,653		80
Contractual services	71,500	72,612	62,861		9,751

INCORPORATED VILLAGE OF PATCHOGUE
Schedule of Expenditures, Other Uses and Encumbrances
Compared to Budget - General Fund (Continued)
For The Year Ended May 31, 2012

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)					
Playground and recreation centers					
Personal services	\$ 58,955	\$ 57,455	\$ 57,203	\$	\$ 252
Equipment	1,000	700	488	150	62
Contractual services	21,000	24,800	23,759		1,041
Marina & dock expense					
Personal services	27,000	34,000	33,920		80
Equipment	1,750	14,720	14,390		330
Contractual services	18,500	10,300	9,611		689
Special recreational facility - pool					
Personal services	70,472	58,872	48,719		10,153
Equipment	3,000	19,000	3,033	15,534	433
Contractual services	49,470	49,470	27,225	747	21,498
Band concerts					
Personal services	1,100	1,100			1,100
Contractual services	8,450	8,450	7,955		495
Youth programs					
Personal services	41,684	41,684	21,653		20,031
Equipment	300	300	-		300
Contractual services	11,000	9,925	7,718		2,207
Historian					
Contractual services	75	75	55		20
Celebrations					
Contractual services	4,000	4,000	1,250		2,750
Adult recreation					
Personal services	5,000	4,400	3,299		1,101
Equipment	200	200	-		200
Contractual services	8,200	8,800	6,725		2,075
Total Culture and Recreation	<u>689,913</u>	<u>711,853</u>	<u>620,261</u>	<u>16,494</u>	<u>75,098</u>
Home and Community Services					
Zoning board of appeals					
Personal services	7,500	7,500	7,416		84
Contractual services	17,900	17,900	11,351		6,549
Planning board					
Personal services	15,000	15,000	13,000		2,000
Contractual services	30,500	20,518	12,059		8,459
Storm sewers					
Personal services	-	2,000	1,833		167
Contractual services	50,000	63,343	48,894		14,449
Refuse					
Personal services	558,428	486,057	467,715		18,342
Equipment	5,000		-		-
Contractual services	661,100	482,400	448,480		33,920
Street cleaning					
Personal services	64,648	65,748	64,637		1,111
Contractual services	9,000	12,500	12,259		241
Shade trees					
Contractual services	3,000	7,067	1,772		5,295
Total Home and Community Services	<u>1,422,076</u>	<u>1,180,033</u>	<u>1,089,416</u>	<u>-</u>	<u>90,617</u>

INCORPORATED VILLAGE OF PATCHOGUE
Schedule of Expenditures, Other Uses and Encumbrances
Compared to Budget - General Fund (Continued)
For The Year Ended May 31, 2012

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)					
Employee Benefits					
State employee retirement	\$ 507,134	\$ 517,134	\$ 628,993	\$	\$ (111,859)
Local pension fund	138,000	141,100	141,006		94
Social security and medicare	308,899	284,899	279,755		5,144
Workers compensation	203,500	229,500	228,149		1,351
Unemployment insurance	10,000	10,000	9,280		720
Disability insurance	100	100	-		100
Hospital and medical insurance	1,294,112	1,294,112	1,183,376		110,736
Other benefits	20,000	19,500	18,419		1,081
Total Employee Benefits	<u>2,481,745</u>	<u>2,496,345</u>	<u>2,488,978</u>	<u>-</u>	<u>7,367</u>
Debt Service					
Serial bonds					
Principal	820,100		-		-
Interest	236,682		-		-
Total Debt Service	<u>1,056,782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	10,565,289	9,594,982	9,026,200	64,504	504,278
OTHER USES					
Operating Transfers Out					
	-	1,053,782	1,023,782		30,000
Total Expenditures and Other Uses	<u>\$ 10,565,289</u>	<u>\$ 10,648,764</u>	<u>\$ 10,049,982</u>	<u>\$ 64,504</u>	<u>\$ 534,278</u>

**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
Incorporated Village of Patchogue
Patchogue, New York

We have audited the financial statements of the Incorporated Village of Patchogue, as of and for the year ended May 31, 2012, as listed in the table of contents, which collectively comprise the Village's basic financial statements and have issued our report thereon dated October 4, 2012. As described more fully in Note 1, the Incorporated Village of Patchogue has prepared these financial statements using accounting practices prescribed and permitted by the New York State Office of the State Comptroller, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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.

Internal Control Over Financial Reporting

Management of the Incorporated Village of Patchogue is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Incorporated Village of Patchogue's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Incorporated Village of Patchogue's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Incorporated Village of Patchogue's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Incorporated Village of Patchogue's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to the Board of Trustees and management of the Incorporated Village of Patchogue in a separate letter dated October 4, 2012.

This report is intended solely for the use and information of the Board of Trustees, management of the Incorporated Village of Patchogue and any governmental authorities you need to share this information with, and is not intended to be and should not be used by anyone other than these specified parties.

Cullen & Danowski, LLP

October 4, 2012

