



**INCORPORATED  
VILLAGE OF PATCHOGUE**

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

**May 31, 2013**

**INCORPORATED VILLAGE OF PATCHOGUE**  
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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 (regulatory basis) of the Incorporated Village of Patchogue, as of and for the year ended May 31, 2013, 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 accounting practices prescribed and permitted by the New York State Office of the State Comptroller; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on 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 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 the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances of each fund and account group of the Incorporated Village of Patchogue, as of May 31, 2013, and their respective revenues and expenditures for the year then ended, in conformity with the basis of accounting described in Note 1.

## **Other Matters**

### *Basis of Accounting*

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared using accounting practices prescribed and permitted by the New York State Office of the State Comptroller, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the New York State Office of the State Comptroller. Our opinion is not modified with respect to that matter.

### *Other Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Incorporated Village of Patchogue's basic financial statements. The other supplementary information on pages 21 thru 26 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 do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2013, on our consideration of the Incorporated Village of Patchogue's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering the Incorporated Village of Patchogue's internal control over financial reporting and compliance.

## **Restriction of Use**

This report is intended solely for the use and information of the Board of Trustees and management of the Incorporated Village of Patchogue and the New York State Office of the State Comptroller and is not intended to be and should not be used by anyone other than these specified parties.

*Cullen & Danowski, LLP*

September 10, 2013

**INCORPORATED VILLAGE OF PATCHOGUE**  
**Combined Balance Sheet - All Fund Types and Account Groups**  
 May 31, 2013

	Total Governmental Funds	Fiduciary Fund Agency	Account Groups		Total Village	Component Unit
			Fixed Assets	Long-Term Debt		
<b>ASSETS</b>						
Cash	\$ 7,811,428	\$ 440,634	\$	\$	\$ 8,252,062	\$ 450,244
Receivables						
Tax sale certificates	53				53	
Accounts receivable	29,806				29,806	206
Mortgage receivable	150,000				150,000	75,000
Due from other governments	77,665				77,665	9,850
Due from primary government						89,290
Service award program assets		1,171,537			1,171,537	
Deferred expenditures	119,000				119,000	
General fixed assets			75,015,050		75,015,050	118,000
Amounts to be provided for long-term debt				7,231,711	7,231,711	
<b>Total Assets</b>	<b>\$ 8,187,952</b>	<b>\$ 1,612,171</b>	<b>\$ 75,015,050</b>	<b>\$ 7,231,711</b>	<b>\$ 92,046,884</b>	<b>\$ 742,590</b>
<b>LIABILITIES</b>						
Payables						
Accounts payable	\$ 469,601	\$	\$	\$	469,601	\$
Accrued liabilities	97,136				97,136	80,283
Due to component unit	89,290				89,290	
Due to employees' retirement system	127,186			31,224	158,410	
Compensated absences				845,487	845,487	
Other liabilities		1,612,171			1,612,171	
Notes payable						
Bond anticipation notes	9,163,962				9,163,962	
Deferred credits						
Deferred revenues	818,808				818,808	106,500
Bonds payable				6,355,000	6,355,000	
<b>Total Liabilities</b>	<b>10,765,983</b>	<b>1,612,171</b>	<b>-</b>	<b>7,231,711</b>	<b>19,609,865</b>	<b>186,783</b>
<b>FUND BALANCES</b>						
Investment in general fixed assets			75,015,050		75,015,050	118,000
Fund balances:						
Nonspendable	269,000				269,000	75,000
Restricted:						
Special projects	981,831				981,831	
Parks and conservations	55,531				55,531	
Assigned:						
Appropriated fund balance	500,000				500,000	
Unappropriated fund balance	791,782				791,782	
Unassigned: Fund balance (deficit)	(5,176,175)				(5,176,175)	362,807
<b>Total Fund Balances</b>	<b>(2,578,031)</b>	<b>-</b>	<b>75,015,050</b>	<b>-</b>	<b>72,437,019</b>	<b>555,807</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,187,952</b>	<b>\$ 1,612,171</b>	<b>\$ 75,015,050</b>	<b>\$ 7,231,711</b>	<b>\$ 92,046,884</b>	<b>\$ 742,590</b>

**INCORPORATED VILLAGE OF PATCHOGUE**  
**Combined Balance Sheet - All Fund Types and Account Groups (Continued)**  
 May 31, 2013

	General	Sewer	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash	\$ 5,600,580	\$ 1,697,735	\$	\$ 396,572	\$ 116,541	\$ 7,811,428
Receivables						
Tax sale certificates	53					53
Accounts receivable	29,806					29,806
Mortgage receivable	150,000					150,000
Due from other governments	53,961			23,704		77,665
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						-
<b>Total Assets</b>	<b>\$ 5,953,400</b>	<b>\$ 1,697,735</b>	<b>\$ -</b>	<b>\$ 420,276</b>	<b>\$ 116,541</b>	<b>\$ 8,187,952</b>
<b>LIABILITIES</b>						
Payables						
Accounts payable	\$ 183,776	\$ 49,170	\$	\$ 220,485	\$ 16,170	\$ 469,601
Accrued liabilities	91,486	4,525			1,125	97,136
Due to component unit	89,290					89,290
Due to employees' retirement system	127,186					127,186
Compensated absences						-
Other liabilities						-
Notes payable						
Bond anticipation note				9,163,962		9,163,962
Deferred credits						
Deferred revenues	764,610	45,330			8,868	818,808
Bonds payable						-
<b>Total Liabilities</b>	<b>1,256,348</b>	<b>99,025</b>	<b>-</b>	<b>9,384,447</b>	<b>26,163</b>	<b>10,765,983</b>
<b>Fund balances:</b>						
Investment in general fixed assets						-
Fund balances:						
Nonspendable	269,000					269,000
Restricted:						
Special projects		942,640			39,191	981,831
Parks and conservations					55,531	55,531
Assigned:						
Appropriated fund balance	500,000					500,000
Unappropriated fund balance	135,712	656,070				791,782
Unassigned: Fund balance (deficit)	3,792,340			(8,964,171)	(4,344)	(5,176,175)
<b>Total Fund Balances (Deficit)</b>	<b>4,697,052</b>	<b>1,598,710</b>	<b>-</b>	<b>(8,964,171)</b>	<b>90,378</b>	<b>(2,578,031)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,953,400</b>	<b>\$ 1,697,735</b>	<b>\$ -</b>	<b>\$ 420,276</b>	<b>\$ 116,541</b>	<b>\$ 8,187,952</b>

**INCORPORATED VILLAGE OF PATCHOGUE**  
**Combined Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - All Fund Types**  
For The Year Ended May 31, 2013

	<u>Total Governmental Funds</u>	<u>Component Unit</u>
<b>REVENUES</b>		
Real property taxes	\$ 6,685,424	\$
Other tax items	1,032,245	
Non-property tax items	414,829	
Departmental income	2,878,658	
Intergovernmental charges	36,576	
Use of money and property	77,615	15
Licenses and permits	1,014,144	
Fines and forfeitures	590,714	
Sale of property and compensation for loss	61,947	
Miscellaneous	202,864	90,006
State sources	673,965	
Federal sources	78,074	2,138,771
	<u>13,747,055</u>	<u>2,228,792</u>
Total Revenues		
<b>EXPENDITURES</b>		
General government support	3,004,121	
Public safety	2,101,969	
Health	2,000	
Transportation	1,204,815	
Economic opportunity and development	7,451	
Culture and recreation	734,490	
Home and community services	2,112,442	2,439,879
Employee benefits	2,749,610	
Debt service		
Principal	1,040,455	
Interest	266,523	
	<u>13,223,876</u>	<u>2,439,879</u>
Total Expenditures		
Excess (Deficiency) of Revenues Over Expenditures	<u>523,179</u>	<u>(211,087)</u>
<b>OTHER SOURCES AND USES</b>		
Operating transfers in	1,751,010	
Operating transfers out	(1,751,010)	
BAN redeemed from appropriation	125,000	
	<u>125,000</u>	<u>-</u>
Total Other Sources and Uses		
Net Change in Fund Balance	648,179	(211,087)
Fund Balance - Beginning of year	<u>(3,226,210)</u>	<u>766,894</u>
Fund Balance - End of year	<u>\$ (2,578,031)</u>	<u>\$ 555,807</u>

**INCORPORATED VILLAGE OF PATCHOGUE**  
**Combined Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - All Fund Types (Continued)**  
For The Year Ended May 31, 2013

	General	Sewer	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$ 6,525,179	\$	\$	\$	\$ 160,245	\$ 6,685,424
Other tax items	91,602	940,643				1,032,245
Non-property tax items	414,829					414,829
Departmental income	2,732,241	145,817			600	2,878,658
Intergovernmental charges	36,576					36,576
Use of money and property	75,257	1,987		278	93	77,615
Licenses and permits	362,042	652,102				1,014,144
Fines and forfeitures	590,714					590,714
Sale of property and compensation for loss	61,947					61,947
Miscellaneous	97,007	37		105,820		202,864
State sources	220,345	18,099		429,318	6,203	673,965
Federal sources	78,074					78,074
<b>Total Revenues</b>	<b>11,285,813</b>	<b>1,758,685</b>	<b>-</b>	<b>535,416</b>	<b>167,141</b>	<b>13,747,055</b>
<b>EXPENDITURES</b>						
General government support	2,116,041	318,864		565,216	4,000	3,004,121
Public safety	1,734,811			239,642	127,516	2,101,969
Health	2,000					2,000
Transportation	1,204,815					1,204,815
Economic opportunity and development					7,451	7,451
Culture and recreation	730,076			70	4,344	734,490
Home and community services	1,382,661	721,781		8,000		2,112,442
Employee benefits	2,567,012	177,121			5,477	2,749,610
Debt service						
Principal		150,455	890,000			1,040,455
Interest		31,818	234,705			266,523
<b>Total Expenditures</b>	<b>9,737,416</b>	<b>1,400,039</b>	<b>1,124,705</b>	<b>812,928</b>	<b>148,788</b>	<b>13,223,876</b>
Excess (Deficiency) of Revenues Over Expenditures	1,548,397	358,646	(1,124,705)	(277,512)	18,353	523,179
<b>OTHER SOURCES AND USES</b>						
Operating transfers in			1,124,705	626,305		1,751,010
Operating transfers out	(1,072,290)	(648,720)			(30,000)	(1,751,010)
BAN redeemed from appropriations				125,000		125,000
<b>Total Other Sources and Uses</b>	<b>(1,072,290)</b>	<b>(648,720)</b>	<b>1,124,705</b>	<b>751,305</b>	<b>(30,000)</b>	<b>125,000</b>
<b>Net Change in Fund Balance</b>	<b>476,107</b>	<b>(290,074)</b>	<b>-</b>	<b>473,793</b>	<b>(11,647)</b>	<b>648,179</b>
Fund Balance (Deficit) - Beginning of year	4,220,945	1,888,784	-	(9,437,964)	102,025	(3,226,210)
<b>Fund Balance (Deficit) - End of year</b>	<b>\$ 4,697,052</b>	<b>\$ 1,598,710</b>	<b>\$ -</b>	<b>\$ (8,964,171)</b>	<b>\$ 90,378</b>	<b>\$ (2,578,031)</b>

**INCORPORATED VILLAGE OF PATCHOGUE**  
**Statement of Revenues, Expenditures and Changes in Fund**  
**Balance - Budget and Actual - General Fund**  
For The Year Ended May 31, 2013

	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Real property taxes	\$ 6,525,179	\$ 6,525,179	\$	\$ -
Other real property tax items	91,100	91,602		502
Non-property tax items	408,000	414,829		6,829
Departmental income	2,642,115	2,732,241		90,126
Intergovernmental charges	-	36,576		36,576
Use of money and property	62,128	75,257		13,129
Licenses and permits	387,300	362,042		(25,258)
Fines and forfeitures	385,000	590,714		205,714
Sale of property and compensation for loss	2,250	61,947		59,697
Miscellaneous		97,007		97,007
State sources	194,000	220,345		26,345
Federal sources		78,074		78,074
<b>Total Revenues</b>	<b>10,697,072</b>	<b>11,285,813</b>	<b>-</b>	<b>588,741</b>
<b>EXPENDITURES</b>				
General government support	2,221,506	2,116,041	44,202	61,263
Public safety	1,818,622	1,734,811	45,718	38,093
Health	2,000	2,000		-
Transportation	1,368,414	1,204,815	34,935	128,664
Culture and recreation	819,131	730,076	10,785	78,270
Home and community services	1,450,319	1,382,661	72	67,586
Employee benefits	2,723,113	2,567,012		156,101
<b>Total Expenditures</b>	<b>10,403,105</b>	<b>9,737,416</b>	<b>135,712</b>	<b>529,977</b>
Excess (Deficiency) of Revenues Over Expenditures	293,967	1,548,397	(135,712)	1,118,718
<b>OTHER USES</b>				
Operating transfers out	(1,102,373)	(1,072,290)	-	30,083
<b>Total Other Uses</b>	<b>(1,102,373)</b>	<b>(1,072,290)</b>	<b>-</b>	<b>30,083</b>
<b>Net Change in Fund Balance</b>	<b>(808,406)</b>	<b>476,107</b>	<b>\$ (135,712)</b>	<b>\$ 1,148,801</b>
Fund Balance - Beginning of year	808,406	4,220,945		
Fund Balance - End of year	\$ -	\$ 4,697,052		

**INCORPORATED VILLAGE OF PATCHOGUE**  
**NOTES TO FINANCIAL STATEMENTS**

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**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, 2013, 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 FINANCIAL STATEMENTS**  
(Continued)

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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 FINANCIAL STATEMENTS**  
(Continued)

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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 FINANCIAL STATEMENTS**  
(Continued)

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- 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 15<sup>th</sup> and become a lien on June 1<sup>st</sup>. 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 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 FINANCIAL STATEMENTS**  
(Continued)

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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

Under GASB 54, the fund balance 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 FINANCIAL STATEMENTS**  
(Continued)

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*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. 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.

**INCORPORATED VILLAGE OF PATCHOGUE**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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B. A public hearing is held on the tentative budget by April 15<sup>th</sup>. 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 1<sup>st</sup>.

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 \$304,631 in supplementary appropriations funded by real property taxes, fines and unassigned fund balance.

**B. Deficit Fund Balance**

The capital projects fund had a deficit fund balance of \$8,964,171 at May 31, 2013. The deficit will be eliminated as short-term debt is redeemed or converted to permanent financing, by future appropriations or through receipt of grants.

**3. 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:

- 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.

**INCORPORATED VILLAGE OF PATCHOGUE**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**4. 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.

**5. INTERFUND TRANSACTIONS**

Interfund balances at May 31, 2013, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$	\$	\$	\$ 1,072,290
Sewer Fund				648,720
Business Improvement District Fund				30,000
Debt Service Fund			1,124,705	
Capital Projects Fund			626,305	
Total	<u>\$</u>	<u>\$</u>	<u>\$ 1,751,010</u>	<u>\$ 1,751,010</u>

**6. GENERAL FIXED ASSETS**

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

	Balance May 31, 2012	Additions	Reductions	Balance May 31, 2013
Land	\$ 4,041,539	\$	\$	\$ 4,041,539
Construction in progress	1,990,219			1,990,219
Buildings	23,802,660	125,192		23,927,852
Land improvements	2,126,306	145,083	(18,367)	2,253,022
Infrastructure	39,092,404			39,092,404
Furniture, Fixtures and Equipment	3,418,993	417,209	(126,188)	3,710,014
Capital assets, net	<u>\$ 74,472,121</u>	<u>\$ 687,484</u>	<u>\$ (144,555)</u>	<u>\$ 75,015,050</u>

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

	Balance May 31, 2012	Additions	Reductions	Balance May 31, 2013
Land	<u>\$ 118,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,000</u>

**INCORPORATED VILLAGE OF PATCHOGUE**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**7. BOND ANTICIPATION NOTE**

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

	Balance May 30, 2012	Issued	Redeemed	Balance May 31, 2013
BAN	\$ 9,193,628	\$ 95,334	\$ (125,000)	\$ 9,163,962

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 upon completion of the project, which is projected to be completed within the next eighteen months. 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).

**8. 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.

**9. 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 \$353,994 for 34 recipients as an expenditure for fiscal year ended May 31, 2013. Of the 34 recipients, five are surviving spouses who paid 25% or \$13,179, two are retirees paying 50% or \$13,966.

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 27 retirees and 12 spouses was \$49,791 for the fiscal year ended May 31, 2013.

**INCORPORATED VILLAGE OF PATCHOGUE**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**10. LONG-TERM LIABILITIES**

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

	Balance May 31, 2012	Additions	Reductions	Balance May 31, 2013
Long-term debt:				
Bonds payable	\$ 7,245,000	\$	\$ 890,000	\$ 6,355,000
Other long-term liabilities				
Compensated absences	785,274	60,213		845,487
Due to employees' retirement system	158,860		127,636	31,224
	<u>\$ 8,189,134</u>	<u>\$ 60,213</u>	<u>\$ 1,017,636</u>	<u>\$ 7,231,711</u>

Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at May 31, 2013
Serial bond	10/15/2006	7/15/2022	3.88%	\$ 3,175,000
Serial bond	10/15/2008	7/15/2022	3.00%	475,000
Serial bond	1/15/2010	6/15/2016	2.50%	1,305,000
Serial bond	5/29/2012	6/15/2032	2.50%	1,400,000
				<u>\$ 6,355,000</u>

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

Fiscal Year Ending May 31,	Principal	Interest	Total
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	525,000	91,516	616,516
2019 - 2023	1,650,000	214,656	1,864,656
2024 - 2028	275,000	81,125	356,125
2029 - 2033	375,000	30,000	405,000
Total	<u>\$ 6,355,000</u>	<u>\$ 1,093,084</u>	<u>\$ 7,448,084</u>

**INCORPORATED VILLAGE OF PATCHOGUE**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**11. 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:

<u>Year</u>	<u>ERS</u>
2013	\$ 672,215
2012	685,341
2011	429,496

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.

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, 2013, is \$1,171,537, which is accounted for in the Village's Trust & Agency fund.

**INCORPORATED VILLAGE OF PATCHOGUE**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**12. DEFERRED COMPENSATION PLAN**

The Village has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The Village makes no contributions into this Plan. The amount deferred by eligible employees for the year ended May 31, 2013 totaled \$455,443.

**13. ASSIGNED APPROPRIATED FUND BALANCE**

The amount of \$500,000 has been appropriated to reduce taxes for the year ending May 31, 2014.

**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, 2013, 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, 2013

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Real Property Taxes				
Real property taxes	\$ 6,519,002	\$ 6,525,179	\$ 6,525,179	\$ -
Total Real Property Taxes	6,519,002	6,525,179	6,525,179	-
Other Real Property Tax Items				
Other payments in lieu of taxes	55,000	55,000	56,747	1,747
Interest and penalties	36,100	36,100	34,855	(1,245)
Total Other Real Property Tax Items	91,100	91,100	91,602	502
Non-Property Tax Items				
Utilities gross receipts tax	197,000	197,000	194,306	(2,694)
Franchise fees	200,000	200,000	207,768	7,768
Non-property tax, other	11,000	11,000	12,755	1,755
Total Non-Property Tax Items	408,000	408,000	414,829	6,829
Departmental Income'				
Charges for tax redemption	500	500	799	299
Treasurer & Clerk fees	3,700	3,700	5,928	2,228
Personnel fees	4,000	4,000	4,900	900
Other Departmental income	31,500	31,500	30,000	(1,500)
Safety inspection fees	75,000	75,000	100,221	25,221
Other public safety departmental income	235,626	235,626	236,013	387
Public works charges	76,000	76,000	128,352	52,352
Parking meter fees non-taxable	40,000	40,000	45,764	5,764
Park and recreational charges	48,500	48,500	45,213	(3,287)
Special recreational facility charges	103,500	103,500	110,372	6,872
Zoning fees	5,000	5,000	3,805	(1,195)
Planning board fees	15,000	15,000	18,060	3,060
Refuse and garbage charges	2,004,237	2,003,789	2,002,814	(975)
Total Departmental Income	2,642,563	2,642,115	2,732,241	90,126
Intergovernmental Charges				
Snow removal fees	-	-	36,576	36,576
Total Intergovernmental Charges	-	-	36,576	36,576
Use of Money and Property				
Interest and earnings	6,000	6,000	7,116	1,116
Rental of real property	56,128	56,128	68,141	12,013
Total Use of Money and Property	62,128	62,128	75,257	13,129
Licenses and Permits				
Licenses	17,100	17,100	25,562	8,462
Permits	370,200	370,200	336,480	(33,720)
Total Licenses and Permits	387,300	387,300	362,042	(25,258)
Fines and Forfeitures				
Fines and forfeitures	350,000	385,000	589,014	204,014
Forfeitures of deposits	-	-	1,700	1,700
Total Fines and Forfeitures	350,000	385,000	590,714	205,714

**INCORPORATED VILLAGE OF PATCHOGUE**  
**Schedule of Revenues Compared to Budget - General Fund (Continued)**  
For The Year Ended May 31, 2013

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES (Continued)</b>				
Sale of Property and Compensation for Loss				
Minor sales	\$ 300	\$ 300	\$ 1,512	\$ 1,212
Sales, other	950	950	575	(375)
Insurance recoveries	1,000	1,000	59,860	58,860
Total Sale of Property and Compensation for Loss	<u>2,250</u>	<u>2,250</u>	<u>61,947</u>	<u>59,697</u>
Miscellaneous				
Refund of prior year's expenditures	-	-	92,966	92,966
Other unclassified			4,041	4,041
Total Miscellaneous	<u>-</u>	<u>-</u>	<u>97,007</u>	<u>97,007</u>
State Aid				
Revenue sharing	92,000	92,000	92,781	781
Mortgage tax	100,000	100,000	100,082	82
FEMA	-	-	26,025	26,025
Other general government aid	2,000	2,000	1,457	(543)
Total State Aid	<u>194,000</u>	<u>194,000</u>	<u>220,345</u>	<u>26,345</u>
Federal Aid				
Federal disaster assistance	-	-	78,074	78,074
Total Federal Aid	<u>-</u>	<u>-</u>	<u>78,074</u>	<u>78,074</u>
Total Revenues	<u>10,656,343</u>	<u>10,697,072</u>	<u>\$ 11,285,813</u>	<u>\$ 588,741</u>
<b>APPROPRIATED FUND BALANCE</b>				
Prior Years' Surplus	480,000	743,902		
Prior Year's Encumbrances	64,504	64,504		
Total Appropriated Fund Balance	<u>544,504</u>	<u>808,406</u>		
Total Revenues and Appropriated Fund Balance	<u>\$ 11,200,847</u>	<u>\$ 11,505,478</u>		

**Note to Required Supplementary Information**

Budget Basis of Accounting

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

**INCORPORATED VILLAGE OF PATCHOGUE**  
**Schedule of Expenditures, Other Uses and Encumbrances**  
**Compared to Budget - General Fund**  
For The Year Ended May 31, 2013

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
<b>EXPENDITURES</b>					
General Government Support					
Legislative board					
Personal services	\$ 64,800	\$ 64,550	\$ 61,800	\$	\$ 2,750
Contractual services	806	1,556	1,497		59
Village justice court					
Personal services	93,287	121,287	120,618		669
Equipment	2,000	200	130		70
Contractual services	32,691	35,191	30,382		4,809
Traffic violations					
Personal services	51,524	57,824	56,801		1,023
Mayor					
Personal services	28,800	28,800	28,800		-
Equipment		20,410	20,410		-
Contractual services	5,575	7,575	7,307		268
Auditor					
Contractual services	53,000	45,000	32,750	12,100	150
Treasurer					
Personal services	176,013	166,013	162,902		3,111
Equipment	1,000	200	129		71
Contractual services	7,500	6,670	4,725		1,945
Assessment					
Personal services	44,749	45,149	45,010		139
Equipment	400	200	147		53
Contractual services	7,800	7,100	6,360		740
Tax advertising expense					
Contractual services	500	500	369		131
Clerk and staff					
Personal services	155,632	157,132	156,485		647
Equipment	2,500	2,500	1,623		877
Contractual services	122,205	123,705	114,264		9,441
Law					
Contractual services	141,500	162,000	161,065		935
Engineer					
Contractual services	85,500	158,800	125,865	32,102	833
Buildings - village hall					
Personal services	59,530	59,530	59,499		31
Equipment	2,000	-	-		-
Contractual services	105,638	106,738	103,346		3,392
Central garage					
Personal services	134,864	134,064	128,689		5,375
Equipment	20,000	5,000	1,909		3,091
Contractual services	389,837	342,537	322,574		19,963
Unallocated insurance					
Contractual services	211,458	223,458	222,918		540
Municipal association dues					
Contractual services	5,087	5,117	5,087		30
Refund of taxes					
Contractual services	100,000	117,200	117,117		83
Payment of MTA payroll tax					
Contractual services	13,000	15,500	15,463		37
Contingent account					
Contractual services	100,000	-	-		-
Total General Government Support	<u>2,219,196</u>	<u>2,221,506</u>	<u>2,116,041</u>	<u>44,202</u>	<u>61,263</u>

**INCORPORATED VILLAGE OF PATCHOGUE**  
**Schedule of Expenditures, Other Uses and Encumbrances**  
**Compared to Budget - General Fund (Continued)**  
For The Year Ended May 31, 2013

EXPENDITURES (Continued)	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
Public Safety					
Safety administration					
Personal services	\$ 244,839	\$ 237,839	\$ 235,592	\$	\$ 2,247
Equipment	500	500	-		500
Contractual services	7,975	4,975	1,561		3,414
Traffic					
Contractual services	50,000	50,000	37,137		12,863
Parking					
Personal services	54,496	55,496	55,407		89
Contractual services	1,375	1,175	375		800
Safety inspections					
Personal services	656,603	705,603	704,608		995
Equipment	47,500	86,038	38,474	44,538	3,026
Contractual services	69,900	84,500	69,457	1,180	13,863
Miscellaneous public safety					
Contractual services	592,200	592,496	592,200		296
Total Public Safety	<u>1,725,388</u>	<u>1,818,622</u>	<u>1,734,811</u>	<u>45,718</u>	<u>38,093</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	796,559	780,459	761,017		19,442
Equipment	20,000	56,708	26,731	29,708	269
Contractual services	208,375	183,675	149,628		34,047
Snow removal					
Personal services	75,000	74,700	61,420		13,280
Equipment	28,000	6,000	4,012		1,988
Contractual services	100,000	17,300	9,870		7,430
Street lighting					
Personal services	13,489	12,689	9,997		2,692
Contractual services	215,583	226,383	178,880	5,227	42,276
Off street parking					
Contractual services	15,500	10,500	3,260		7,240
Total Transportation	<u>1,472,506</u>	<u>1,368,414</u>	<u>1,204,815</u>	<u>34,935</u>	<u>128,664</u>
Culture and Recreation					
Recreational administration					
Personal services	51,875	52,625	52,608		17
Contractual services	4,513	1,763	1,663		100
Parks					
Personal services	210,572	217,572	217,065		507
Equipment	50,000	51,800	51,796		4
Contractual services	77,125	148,325	132,992	7,990	7,343

**INCORPORATED VILLAGE OF PATCHOGUE**  
**Schedule of Expenditures, Other Uses and Encumbrances**  
**Compared to Budget - General Fund (Continued)**  
For The Year Ended May 31, 2013

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
<b>EXPENDITURES (Continued)</b>					
Playground and recreation centers					
Personal services	\$ 58,524	\$ 59,024	\$ 57,511	\$	\$ 1,513
Equipment	1,350	1,380	1,368		12
Contractual services	31,000	34,270	29,175		5,095
Marina & dock expense					
Personal services	12,000	12,000	7,161		4,839
Equipment	-	220	216		4
Contractual services	22,000	10,280	7,760		2,520
Special recreational facility - pool					
Personal services	71,068	51,768	49,100		2,668
Equipment	19,534	25,634	25,597		37
Contractual services	56,967	56,867	45,242	2,795	8,830
Band concerts					
Personal services	1,100	200			200
Contractual services	19,020	18,520	6,669		11,851
Youth programs					
Personal services	46,233	44,233	20,461		23,772
Equipment	300	300	-		300
Contractual services	10,500	16,500	14,949		1,551
Historian					
Contractual services	75	75	55		20
Celebrations					
Contractual services	3,000	2,825	500		2,325
Adult recreation					
Personal services	7,500	7,500	3,531		3,969
Equipment	200	200	-		200
Contractual services	3,850	5,250	4,657		593
Total Culture and Recreation	<u>758,306</u>	<u>819,131</u>	<u>730,076</u>	<u>10,785</u>	<u>78,270</u>
Home and Community Services					
Zoning board of appeals					
Personal services	7,500	7,675	7,666		9
Contractual services	16,700	16,700	12,333	36	4,331
Planning board					
Personal services	15,000	14,350	12,791		1,559
Contractual services	20,300	24,950	23,405	36	1,509
Storm sewers					
Contractual services	50,000	20,000	15,604		4,396
Refuse					
Personal services	530,205	534,256	510,270		23,986
Equipment	5,000	176,351	175,781		570
Contractual services	508,750	576,350	550,095		26,255
Street cleaning					
Personal services	65,648	70,687	69,972		715
Contractual services	9,000	8,000	4,744		3,256
Shade trees					
Contractual services	2,000	1,000	-		1,000
Total Home and Community Services	<u>1,230,103</u>	<u>1,450,319</u>	<u>1,382,661</u>	<u>72</u>	<u>67,586</u>

**INCORPORATED VILLAGE OF PATCHOGUE**  
**Schedule of Expenditures, Other Uses and Encumbrances**  
**Compared to Budget - General Fund (Continued)**  
For The Year Ended May 31, 2013

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
<b>EXPENDITURES (Continued)</b>					
Employee Benefits					
State employee retirement	\$ 605,709	\$ 729,709	\$ 601,376	\$	\$ 128,333
Local pension fund	141,500	127,400	127,238		162
Social security and medicare	311,461	289,961	289,718		243
Workers compensation	233,500	320,933	319,404		1,529
Unemployment insurance	10,000	11,000	10,956		44
Disability insurance	100	100	-		100
Hospital and medical insurance	1,295,010	1,234,010	1,208,383		25,627
Other benefits	20,000	10,000	9,937		63
Total Employee Benefits	<u>2,617,280</u>	<u>2,723,113</u>	<u>2,567,012</u>	-	<u>156,101</u>
Total Expenditures	10,024,779	10,403,105	9,737,416	135,712	529,977
<b>OTHER USES</b>					
Operating Transfers Out	<u>1,176,068</u>	<u>1,102,373</u>	<u>1,072,290</u>		<u>30,083</u>
Total Expenditures and Other Uses	<u>\$ 11,200,847</u>	<u>\$ 11,505,478</u>	<u>\$ 10,809,706</u>	<u>\$ 135,712</u>	<u>\$ 560,060</u>

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

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

**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, 2013, as listed in the table of contents, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 10, 2013. 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 September 10, 2013.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cullen & Danowski, LLP*

September 10, 2013

