INCORPORATED
VILLAGE OF PATCHOGUE

FINANCIAL STATEMENTS
(REGULATORY BASIS) WITH
INDEPENDENT AUDITOR'S REPORTS

May 31, 2015

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements (regulatory basis) of the Incorporated Village of Patchogue, as of and for the year ended May 31, 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the New York State Office of the State Comptroller. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, deferred inflows of resources and fund balances of each fund, account group and discretely presented component unit of the Incorporated Village of Patchogue, as of May 31, 2015, and their respective revenues, expenditures, and other financing sources and uses for the year then ended, in accordance with the financial reporting provisions of the New York State Office of the State Comptroller described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of the financial reporting provisions of 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 this 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 20 thru 25 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2015, 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* 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 information and use 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 18, 2015

INCORPORATED VILLAGE OF PATCHOGUE
Balance Sheet - All Fund Types and Account Groups
May 31, 2015

	Total Governmental Funds	Fiduciary Fund Agency	Account Groups: Fixed Assets	Account Groups: Long-Term Debt	Total Village	Component Unit
ASSETS						
Cash	$ 6,788,299	$ 89,444	$	$	$ 6,877,743	$ 241,673
Receivables						
Taxes receivable						
Tax sale certificates	53				53	
Accounts receivable	28,841				28,841	
Mortgage receivable	150,000				150,000	75,000
Due from other funds	803,769				803,769	
Due from other governments	24,533				24,533	
Due from component unit	36,864				36,864	
Service award program assets		1,194,274			1,194,274	
General fixed assets			75,984,152		75,984,152	118,000
Amounts to be provided for long-term debt				9,736,015	9,736,015	
Total Assets	$ 7,832,359	$ 1,283,718	$ 75,984,152	$ 9,736,015	$ 94,836,244	$ 434,673
LIABILITIES						
Payables						
Accounts payable	$ 422,419	$	$	$	$ 422,419	$
Accrued liabilities	115,698				115,698	2,104
Due to other funds	803,769				803,769	
Due to primary government						36,864
Due to other governments	9,582				9,582	
Due to employees' retirement system	123,480			288	123,768	
Compensated absences				998,365	998,365	
Other liabilities		1,283,718			1,283,718	
Notes payable						
Bond anticipation notes						
Unearned credits						
Collections in advance	37,833				37,833	
Installment purchase debt				237,362	237,362	
Bonds payable				8,500,000	8,500,000	
Total Liabilities	1,512,781	1,283,718	-	9,736,015	12,532,514	38,968
DEFERRED INFLOWS OF RESOURCES						
Deferred revenues	623,143				623,143	
Total Deferred Inflows of Resources	623,143	-	-	-	623,143	-
FUND BALANCES						
Investment in general fixed assets			75,984,152		75,984,152	118,000
Fund balances:						
Nonspendable	150,000				150,000	75,000
Restricted:						
Special projects	1,143,647				1,143,647	
Parks and conservations	49,514				49,514	
Assigned:						
Appropriated fund balance	675,000				675,000	
Unappropriated fund balance	837,275				837,275	
Unassigned: Fund balance	2,840,999				2,840,999	202,705
Total Fund Balances	5,696,435	-	75,984,152	-	81,680,587	395,705
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 7,832,359	$ 1,283,718	$ 75,984,152	$ 9,736,015	$ 94,836,244	$ 434,673

See Notes to Financial Statements

INCORPORATED VILLAGE OF PATCHOGUE
Balance Sheet - All Fund Types and Account Groups (Continued)
May 31, 2015

	General	Sewer	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	$ 4,677,468	$ 2,020,649	$	$	$ 90,182	$ 6,788,299
Receivables						
Taxes receivable						-
Tax sale certificates	53					53
Accounts receivable	28,841					28,841
Mortgage receivable	150,000					150,000
Due from other funds	803,769					803,769
Due from other governments	24,533					24,533
Due from component unit	36,864					36,864
Service award program assets						-
General fixed assets						-
Amounts to be provided for long-term debt						-
Total Assets	$ 5,721,528	$ 2,020,649	$ -	$ -	$ 90,182	$ 7,832,359
LIABILITIES						
Payables						
Accounts payable	$ 232,268	$ 67,481	$	$ 108,300	$ 14,370	$ 422,419
Accrued liabilities	105,637	8,811			1,250	115,698
Due to other funds				803,769		803,769
Due to component unit						-
Due to other governments	9,582					9,582
Due to employees' retirement system	123,480					123,480
Compensated absences						-
Other liabilities						-
Notes payable						
Bond anticipation note						-
Unearned credits						
Collections in advance	37,833					37,833
Installment purchase debt						-
Bonds payable						-
Total Liabilities	508,800	76,292	-	912,069	15,620	1,512,781
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	568,567	47,818			6,758	623,143
Total Deferred Inflows of Resources	568,567	47,818	-	-	6,758	623,143
Fund balances:						
Investment in general fixed assets						-
Fund balances:						
Nonspendable	150,000					150,000
Restricted:						
Special projects		1,126,557			17,090	1,143,647
Parks and conservations					49,514	49,514
Assigned:						
Appropriated fund balance	675,000					675,000
Unappropriated fund balance	66,093	769,982			1,200	837,275
Unassigned: Fund balance (deficit)	3,753,068			(912,069)		2,840,999
Total Fund Balances (Deficit)	4,644,161	1,896,539	-	(912,069)	67,804	5,696,435
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 5,721,528	$ 2,020,649	$ -	$ -	$ 90,182	$ 7,832,359

See Notes to Financial Statements

INCORPORATED VILLAGE OF PATCHOGUE
Statement of Revenues, Expenditures and Changes in Fund Balance - All Fund Types
For The Year Ended May 31, 2015

	Total Governmental Funds	Component Unit
REVENUES		
Real property taxes	$ 7,126,780	$
Other tax items	1,203,218	
Non-property tax items	467,840	
Departmental income	3,225,979	
Use of money and property	76,936	52
Licenses and permits	1,254,195	
Fines and forfeitures	653,169	
Sale of property and compensation for loss	126,949	
Miscellaneous	35,501	5,599
State sources	689,110	
Federal sources	5,518,877	2,194,150
Total Revenues	20,378,554	2,199,801
EXPENDITURES		
General government support	2,940,886	
Public safety	2,861,014	
Health	2,000	
Transportation	1,705,883	
Economic opportunity and development	4,103	
Culture and recreation	766,063	
Home and community services	2,729,715	2,383,677
Employee benefits	3,224,642	
Debt service		
Principal	1,056,868	
Interest	260,723	
Total Expenditures	15,551,897	2,383,677
Excess (Deficiency) of Revenues Over Expenditures	4,826,657	(183,876)
OTHER SOURCES AND USES		
Operating transfers in	1,244,220	
Operating transfers out	(1,244,220)	
Proceeds from serial bonds	3,990,000	
Total Other Sources and Uses	3,990,000	-
Net Change in Fund Balance	8,816,657	(183,876)
Fund Balance - Beginning of year	(3,120,222)	579,581
Fund Balance - End of year	$ 5,696,435	$ 395,705

See Notes to Financial Statements

INCORPORATED VILLAGE OF PATCHOGUE
Statement of Revenues, Expenditures and
Changes in Fund Balance - All Fund Types (Continued)
For The Year Ended May 31, 2015

	General	Sewer	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Real property taxes	$ 6,977,015	$	$	$	$ 149,765	$ 7,126,780
Other tax items	41,705	1,161,513				1,203,218
Non-property tax items	467,840					467,840
Departmental income	3,035,504	189,875			600	3,225,979
Use of money and property	75,470	1,407			59	76,936
Licenses and permits	203,574	1,050,621				1,254,195
Fines and forfeitures	653,169					653,169
Sale of property and compensation for loss	126,949					126,949
Miscellaneous	17,354	10		18,137		35,501
State sources	206,304	18,099		461,593	3,114	689,110
Federal sources	79,436			5,439,441		5,518,877
Total Revenues	11,884,320	2,421,525	-	5,919,171	153,538	20,378,554
EXPENDITURES						
General government support	2,135,025	515,668		286,193	4,000	2,940,886
Public safety	1,964,817			729,105	167,092	2,861,014
Health	2,000					2,000
Transportation	1,705,883					1,705,883
Economic opportunity and development					4,103	4,103
Culture and recreation	701,857			64,206		766,063
Home and community services	1,303,434	1,065,477		360,804		2,729,715
Employee benefits	2,975,645	242,914			6,083	3,224,642
Debt service						
Principal	66,868		990,000			1,056,868
Interest	11,297		249,426			260,723
Total Expenditures	10,866,826	1,824,059	1,239,426	1,440,308	181,278	15,551,897
Excess (Deficiency) of Revenues Over Expenditures	1,017,494	597,466	(1,239,426)	4,478,863	(27,740)	4,826,657
OTHER SOURCES AND USES						
Operating transfers in			1,239,426	4,794		1,244,220
Operating transfers out	(1,011,515)	(232,705)				(1,244,220)
Proceeds from serial bonds				3,990,000		3,990,000
Total Other Sources and Uses	(1,011,515)	(232,705)	1,239,426	3,994,794	-	3,990,000
Net Change in Fund Balance	5,979	364,761	-	8,473,657	(27,740)	8,816,657
Fund Balance (Deficit) - Beginning of year	4,638,182	1,531,778		(9,385,726)	95,544	(3,120,222)
Fund Balance (Deficit) - End of year	$ 4,644,161	$ 1,896,539	$ -	$ (912,069)	$ 67,804	$ 5,696,435

See Notes to 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, 2015, have been prepared in accordance with the financial reporting provisions of 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 Governmental Accounting Standards Board (GASB) is the standard setting body for establishing GAAP for 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 the proceeds of long-term debt are reported as other financing sources and the payment of long-term debt and other long-term liabilities are recognized to the extent that the liabilities mature during the year. 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 consists of (a) the primary government, which is the Village, (b) organizations, which are determined to be includable in the financial reporting entity based on legal standing, fiscal dependence and financial accountability, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB. Based on the application of these criteria, the following entity is determined to be a component unit of the Village and is presented discretely in a separate column in the financial statements to emphasize it is legally separate from the primary government.

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.

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 grants 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 financial reporting provisions of the New York State Office of the State Comptroller. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund balance, 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.

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 accountability for the Village's general fixed assets and general long-term debt obligations. 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 Agency – as described above.

c) Measurement Focus and Basis of Accounting

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The Village considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on debt, claims and judgments, compensated absences, and pension costs, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

d) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

e) 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.

f) 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 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.

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.

Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves.

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
Buildings	$ 1,000
Land Improvements	1,000
Infrastructure	1,000
Furniture, Fixtures and Equipment	1,000

j) Prepaids

Prepaids are payments to others that benefit future reporting periods.

k) Collections in Advance

Collections in advance arise when resources are received by the Village before it has a legal claim to them, as when grants monies are received prior to the incurrence of qualifying expenditures or when charges for services monies are received in advance from payers prior to the services being rendered by the Village. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the Village has legal claim to the resources.

l) Deferred Inflows of Resources

Unavailable revenues are reported in the funds when real property taxes are received before the period for which the real property taxes are levied. These amounts are recorded as deferred inflows of resources. They are recognized as real property tax revenues in the year for which the real property taxes are levied, which will be the subsequent year.

m) Vested Employee Benefits – Compensated Absences

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 in the governmental funds on the Balance Sheet to the extent payments become due because of employee retirement or resignation.

n) Other Benefits

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

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 and individual employment contracts 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.

o) 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.

p) Accrued Liabilities and Long-Term Obligations

The 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 Balance Sheet.

q) Fund Balance

The governmental fund statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used. GAAP permits the recognition of five classifications: nonspendable, restricted, committed, assigned and unassigned. 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 prepaids and the long-term portion of the mortgage receivable.

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. Fund balance classified as restricted by the Village include the following:

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 Conservation

This represents fees received from landowners that have received approval for land subdivision. These fees will be used for future park and conservation projects. The reserve is accounted for in the Parkland fund.

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, as well as encumbrances not classified as restricted 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 is used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted 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.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The Village's budget policies are as follows:

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.

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.

All subsequent modifications of the budget must be approved by the Board of Trustees.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the current year are increased by the amount of the encumbrances carried forward from the prior year. 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 can be funded by the planned use of specific reserves, and can be increased by 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) and appropriation of fund balance. 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 $701,586 in supplementary appropriations primarily funded by unassigned fund balance.

Budgets are adopted on the modified accrual basis of accounting consistent with GAAP.

B. Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as part of assigned fund balance, unless classified as restricted, and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

C. Deficit Fund Balance

The capital projects fund had a deficit fund balance of $912,069 at May 31, 2015. The deficit will be funded when the Village obtains permanent financing and through appropriations from future budgets.

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 may be unable to recover deposits or recover collateral securities that are in possession of an outside agency. 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.

The Village's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities and/or letters of credit pledged on the Village's behalf 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.

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, 2015, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	$ 803,769	$	$	$ 1,011,515
Sewer Fund				232,705
Debt Service Fund			1,239,426	
Capital Projects Fund		803,769	4,794	
Total	$ 803,769	$ 803,769	$ 1,244,220	$ 1,244,220

6. GENERAL FIXED ASSETS

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

	Balance May 31, 2014	Additions	Reductions	Balance May 31, 2015
Land	$ 4,041,539	$ 94,225	$	$ 4,135,764
Construction in progress	1,990,219		(1,990,219)	
Buildings	24,231,867			24,231,867
Land improvements	1,262,440	38,211		1,300,651
Infrastructure	41,005,205	1,019,104		42,024,309
Furniture, Fixtures and Equipment	4,320,107	81,050	(109,596)	4,291,561
Capital assets, net	$ 76,851,377	$ 1,232,590	$ (2,099,815)	$ 75,984,152

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

	Balance May 31, 2014	Additions	Reductions	Balance May 31, 2015
Land	$ 118,000	$ -	$ -	$ 118,000

7. BOND ANTICIPATION NOTE

Bond anticipation note activity for the year is summarized below:

	Balance May 30, 2014	Issued	Redeemed	Balance May 31, 2015
BAN	$ 9,044,014	$	$ (9,044,014)	$

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 occurred in the current fiscal year. Upon completion $5,439,441 of the BAN was satisfied through the use of ARRA revenue (Federal Aid) and the balance of the financing has been 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 leave 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. POSTEMPLOYMENT 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 $342,833 for 34 recipients as an expenditure for the fiscal year ended May 31, 2015. Of the 34 recipients, seven are surviving spouses who paid 25% or $17,468 and two are retirees paying 50% or $14,449.

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 25 retirees and 15 spouses was $50,352 for the fiscal year ended May 31, 2015.

10. LONG-TERM LIABILITIES

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

	Balance May 31, 2014	Additions	Reductions	Balance May 31, 2015
Long-term debt:				
Bonds payable	$ 5,500,000	$ 3,990,000	$ 990,000	$ 8,500,000
Installment purchase debt	304,230		66,868	237,362
Other long-term liabilities				
Compensated absences	884,679	113,686		998,365
Due to employees' retirement system	15,756		15,468	288
	$ 6,704,665	$ 4,103,686	$ 1,072,336	$ 9,736,015

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at May 31, 2015
Serial bond	10/15/2006	7/15/2022	3.88%	$ 2,475,000
Serial bond	10/15/2008	7/15/2022	3.00%	275,000
Serial bond	1/15/2010	6/15/2016	2.50%	680,000
Serial bond	5/29/2012	6/15/2032	2.50%	1,200,000
NY Environmental Corp. State revenue bonds	6/7/2012	5/1/2042	3.66%	3,870,000
				$ 8,500,000

Installment purchase debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at May 31, 2015
Parking meters	8/15/2013	8/15/2018	4.16%	$ 237,362

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

Fiscal Year Ending May 31,	Principal	Interest	Total
2016	$ 1,030,000	$ 215,660	$ 1,245,660
2017	1,015,000	180,814	1,195,814
2018	645,000	153,273	798,273
2019	595,000	134,114	729,114
2020	545,000	115,323	660,323
2021 - 2025	1,480,000	404,688	1,884,688
2026 - 2030	1,005,000	296,980	1,301,980
2031 - 2035	975,000	184,995	1,159,995
2036 - 2040	845,000	93,673	938,673
2041 - 2042	365,000	11,740	376,740
Total	$ 8,500,000	$ 1,791,260	$ 10,291,260

11. PENSION PLANS

A. New York State and Local Employees' Retirement System

Plan Description

The Village elected to participate in the New York State and Local Employees' Retirement System (ERS). This system is a cost-sharing, multiple-employer, defined benefit pension plan. The ERS provides retirement and disability benefits, annual cost of living increases, and death benefits to plan members and beneficiaries.

Employees' Retirement System

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 net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the ERS and for the custody and control of its funds. Once a public employer elects to participate in ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Village also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

Funding Policy

Plan members who joined the system before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership.

The Village's share of the required contributions, based on each year's covered payroll, for the current year and two preceding years was:

Year	ERS
2015	$ 822,989
2014	850,528
2013	672,215

The Village contributions made to the system were equal to 100% of the contributions required for each year.

B. 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, 2015, is $1,194,292, which is accounted for in the Village's Trust & Agency fund.

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, 2015 totaled $64,217. Cumulative contributions for the plan total $623,584.

13. ASSIGNED APPROPRIATED FUND BALANCE

The amount of $675,000 has been appropriated to reduce taxes for the year ending May 31, 2016.

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, would 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, 2015, 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, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
For The Year Ended May 31, 2015

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real Property Taxes				
Real property taxes	$ 6,974,269	$ 6,977,015	$ 6,977,015	$ -
Total Real Property Taxes	6,974,269	6,977,015	6,977,015	-
Other Real Property Tax Items				
Interest and penalties	36,000	36,000	41,705	5,705
Total Other Real Property Tax Items	36,000	36,000	41,705	5,705
Non-Property Tax Items				
Utilities gross receipts tax	170,000	170,000	219,078	49,078
Franchise fees	210,000	210,000	235,834	25,834
Non-property tax, other	37,000	37,000	12,928	(24,072)
Total Non-Property Tax Items	417,000	417,000	467,840	50,840
Departmental Income				
Charges for tax redemption	500	500	756	256
Treasurer & Clerk fees	4,600	4,600	4,615	15
Personnel fees	-	-	6,580	6,580
Other departmental income	28,666	28,666	51,167	22,501
Safety inspection fees	75,000	75,000	106,525	31,525
Other public safety departmental income	242,628	242,628	244,413	1,785
Public works charges	32,500	32,500	110,260	77,760
Parking meter fees non-taxable	245,000	245,000	268,175	23,175
Park and recreational charges	42,000	42,000	41,760	(240)
Special recreational facility charges	108,000	108,000	117,999	9,999
Zoning fees	5,000	5,000	9,305	4,305
Planning board fees	15,000	15,000	17,899	2,899
Refuse and garbage charges	2,045,916	2,056,230	2,056,050	(180)
Total Departmental Income	2,844,810	2,855,124	3,035,504	180,380
Use of Money and Property				
Interest and earnings	6,000	6,000	10,585	4,585
Rental of real property	64,650	64,650	64,885	235
Total Use of Money and Property	70,650	70,650	75,470	4,820
Licenses and Permits				
Licenses	23,600	23,600	26,784	3,184
Permits	255,300	255,300	176,790	(78,510)
Total Licenses and Permits	278,900	278,900	203,574	(75,326)
Fines and Forfeitures				
Fines and forfeitures	450,000	450,000	653,119	203,119
Forfeitures of deposits	-	-	50	50
Total Fines and Forfeitures	450,000	450,000	653,169	203,169
Sale of Property and Compensation for Loss				
Minor sales	300	300	9,368	9,068
Sales, other	86,000	86,000	9,764	(76,236)
Insurance recoveries	-	-	107,817	107,817
Total Sale of Property and Compensation for Loss	86,300	86,300	126,949	40,649
Miscellaneous				
Refund of prior year's expenditures	-	-	4,613	4,613
Other unclassified	-	-	12,741	12,741
Total Miscellaneous	-	-	17,354	17,354

INCORPORATED VILLAGE OF PATCHOGUE
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund (Continued)
For The Year Ended May 31, 2015

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES (Continued)				
State Aid				
Revenue sharing	$ 95,000	$ 95,000	$ 105,323	$ 10,323
Mortgage tax	120,000	120,000	99,972	(20,028)
Other general government aid	1,000	1,000	1,009	9
Total State Aid	216,000	216,000	206,304	(9,696)
Federal Aid				
Federal disaster assistance	-	-	79,436	79,436
Total Federal Aid	-	-	79,436	79,436
Total Revenues	11,373,929	11,386,989	11,884,320	$ 497,331
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	600,000	604,793		
Prior Year's Encumbrances	256,956	256,956		
Total Appropriated Fund Balance	856,956	861,749		
Total Revenues and Appropriated Fund Balance	$ 12,230,885	$ 12,248,738		

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 Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund (Continued)
For The Year Ended May 31, 2015

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES					
General Government Support					
Legislative board					
Personal services	$ 64,800	$ 64,300	$ 64,230	$	$ 70
Contractual services	1,500	1,500	1,356		144
Village justice court					
Personal services	158,650	162,650	162,509		141
Equipment	2,000	300	246		54
Contractual services	42,800	49,600	46,391		3,209
Traffic violations					
Personal services	59,073	57,473	57,457		16
Mayor					
Personal services	28,000	28,800	28,800		-
Contractual services	6,000	5,200	3,516		1,684
Auditor					
Contractual services	50,000	41,000	27,560	13,090	350
Treasurer					
Personal services	194,868	194,868	194,673		195
Equipment	1,600	850	-		850
Contractual services	5,100	5,850	5,563		287
Assessment					
Personal services	46,529	46,529	46,323		206
Equipment	2,000	300	-		300
Contractual services	7,500	9,100	8,412		688
Tax advertising expense					
Contractual services	500	600	564		36
Clerk and staff					
Personal services	221,459	231,559	231,008		551
Equipment	1,500	4,000	3,028	890	82
Contractual services	126,095	124,995	119,349	1,795	3,851
Law					
Contractual services	141,546	126,946	125,404		1,542
Engineer					
Contractual services	173,246	151,246	148,588	2,250	408
Buildings - village hall					
Personal services	63,957	63,157	61,648		1,509
Equipment	-	19,975	19,700		275
Contractual services	94,655	81,755	77,612	2,999	1,144
Central garage					
Personal services	140,056	143,056	142,140		916
Equipment	25,071	9,596	9,344		252
Contractual services	362,250	280,450	258,562		21,888
Unallocated insurance					
Contractual services	225,000	207,000	206,747		253
Municipal association dues					
Contractual services	5,087	5,087	5,087		-
Refund of taxes					
Contractual services	100,000	63,000	62,408		592
Payment of MTA payroll tax					
Contractual services	16,000	16,800	16,800		-
Contingent account					
Contractual services	100,000	46			46
Total General Government Support	2,466,842	2,197,588	2,135,025	21,024	41,539

INCORPORATED VILLAGE OF PATCHOGUE
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund (Continued)
For The Year Ended May 31, 2015

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)					
Public Safety					
Safety administration					
Personal services	$ 263,140	$ 244,590	$ 241,851	$	$ 2,739
Equipment	500	500	-		500
Contractual services	12,575	12,575	11,750		825
Traffic					
Contractual services	45,000	40,500	38,683		1,817
Parking					
Personal services	57,263	57,763	57,366		397
Contractual services	375	375	375		-
Safety inspections					
Personal services	869,754	911,054	910,436		618
Equipment	6,500	11,300	6,985	3,500	815
Contractual services	77,186	85,036	75,432		9,604
Miscellaneous public safety					
Contractual services	633,000	622,000	621,939		61
Total Public Safety	1,965,293	1,985,693	1,964,817	3,500	17,376
Health					
Registrar of vital statistics					
Personal services	2,000	2,000	2,000		-
Total Health	2,000	2,000	2,000	-	-
Transportation					
Street administration					
Personal services	825,232	809,832	808,753		1,079
Equipment	26,000	19,900	14,531		5,369
Contractual services	187,752	265,652	247,857	1,610	16,185
Snow removal					
Personal services	75,000	121,900	121,635		265
Equipment	13,000	1,500	1,455		45
Contractual services	100,000	64,600	63,263		1,337
Street lighting					
Personal services	20,000	3,600	3,447		153
Contractual services	256,112	236,112	233,765		2,347
Off street parking					
Equipment	177,856	87,191	86,923		268
Contractual services	8,500	130,700	124,254	5,937	509
Total Transportation	1,689,452	1,740,987	1,705,883	7,547	27,557
Culture and Recreation					
Recreational administration					
Personal services	57,000	57,000	56,936		64
Contractual services	4,450	4,450	1,410		3,040
Parks					
Personal services	221,115	214,615	210,652		3,963
Equipment	29,500	19,000	15,913	716	2,371
Contractual services	90,550	175,550	159,697	5,588	10,265

INCORPORATED VILLAGE OF PATCHOGUE
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund (Continued)
For The Year Ended May 31, 2015

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)					
Playground and recreation centers					
Personal services	$ 61,472	$ 61,972	$ 60,734	$	$ 1,238
Equipment	2,000	1,500	334		1,166
Contractual services	35,000	45,000	41,959		3,041
Marina & dock expense					
Personal services	10,500	10,900	10,861		39
Contractual services	3,000	7,900	6,119	788	993
Special recreational facility - pool					
Personal services	80,894	45,944	45,609		335
Equipment	4,000	4,000	3,689		311
Contractual services	62,200	53,250	37,118	3,050	13,082
Band concerts					
Personal services	1,100				-
Contractual services	25,350	15,450	12,588		2,862
Youth programs					
Personal services	45,579	21,429	19,938		1,491
Equipment	300	300	-		300
Contractual services	11,495	12,645	11,240		1,405
Historian					
Contractual services	75	75	65		10
Celebrations					
Contractual services	2,500	2,500	2,163		337
Adult recreation					
Personal services	7,500	7,500	1,657		5,843
Equipment	200	200	-		200
Contractual services	4,400	4,400	3,175		1,225
Total Culture and Recreation	760,180	765,580	701,857	10,142	53,581
Home and Community Services					
Zoning board of appeals					
Personal services	7,500	8,100	8,083		17
Contractual services	16,700	16,100	12,541		3,559
Planning board					
Personal services	15,000	14,500	11,862		2,638
Contractual services	21,500	22,000	11,927		10,073
Storm sewers					
Contractual services	30,410	92,510	67,094	23,880	1,536
Refuse					
Personal services	566,564	607,078	602,741		4,337
Contractual services	477,250	508,800	507,859		941
Street cleaning					
Personal services	69,893	52,893	51,098		1,795
Contractual services	27,676	30,676	30,229		447
Total Home and Community Services	1,232,493	1,352,657	1,303,434	23,880	25,343

INCORPORATED VILLAGE OF PATCHOGUE
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund (Continued)
For The Year Ended May 31, 2015

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)					
Employee Benefits					
State employee retirement	$ 725,523	$ 725,523	$ 708,632	$	$ 16,891
Local pension fund	143,000	132,000	131,570		430
Social security and medicare	366,090	332,890	332,102		788
Workers compensation	473,288	548,287	544,211		4,076
Unemployment insurance	10,000	10,000	5,733		4,267
Disability insurance	100	100	-		100
Hospital and medical insurance	1,368,268	1,353,268	1,246,522		106,746
Other benefits	20,000	10,850	6,875		3,975
Total Employee Benefits	3,106,269	3,112,918	2,975,645	-	137,273
Debt Services					
Principal	838,100	68,503	66,868		1,635
Interest	170,256	11,297	11,297		-
Total Debt Service	1,008,356	79,800	78,165	-	1,635
Total Expenditures	12,230,885	11,237,223	10,866,826	66,093	304,304
OTHER USES					
Operating Transfers Out	-	1,011,515	1,011,515		-
Total Expenditures and Other Uses	$ 12,230,885	$ 12,248,738	11,878,341	$ 66,093	$ 304,304
Net Change in Fund Balance			5,979		
Fund Balance - Beginning of Year			4,638,182		
Fund Balance - End of Year			$ 4,644,161		

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

VINCENT D. CULLEN, CPA
(1950 - 2013)

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, 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, the financial statements of the Incorporated Village of Patchogue (Village), as of and for the year ended May 31, 2015, and the related notes to financial statements, as listed in the table of contents, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 18, 2015. As described more fully in Note 1, the Incorporated Village of Patchogue has prepared these financial statements in accordance with the financial reporting provisions of 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Incorporated Village of Patchogue's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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. Accordingly, we do not express an opinion on the effectiveness of the Incorporated Village of Patchogue's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Incorporated Village of Patchogue's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a 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 18, 2015.

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 18, 2015