



**INCORPORATED
VILLAGE OF PATCHOGUE**

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

May 31, 2011

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 of the governmental activities, the aggregate discretely presented component unit, each major fund, and the fiduciary funds of the Incorporated Village of Patchogue (Village) as of and for the year ended May 31, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. We have also audited the fiduciary fund of the Village's basic financial statements as of and for the year ended May 31, 2011, as displayed in the Village's basic financial statements. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As more fully described in Note 1, the Village has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities in accordance with Statement No. 34 by the Governmental Accounting Standards Board.

In our opinion, except for the effect of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects the financial position of the Incorporated Village of Patchogue, at May 31, 2011, and the results of its operations and changes in fund equity for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 21, 2011, on our consideration of the Incorporated Village of Patchogue's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying additional financial information listed as supplementary schedules in the table of contents is presented for purposes of additional analysis as required by the State System, and is not a required part of the financial statements. We have applied certain limited procedures to the supplementary information, which consisted principally of inquiries of management regarding the methods of measurement and its presentation. However, we did not audit the supplementary information and express no opinion on it.

Cullen & Danowski, LLP

October 21, 2011

INCORPORATED VILLAGE OF PATCHOGUE
Combined Balance Sheet - All Fund Types and Account Groups
 May 31, 2011

	Village	Component Unit
ASSETS		
Cash	\$ 5,094,505	\$ 754,393
Receivables		
Tax sale certificates	444	
Taxes receivable	2,135	
Accounts receivable	23,445	
Mortgage receivable	150,000	75,000
Due from other funds	1,744,230	
Due from other governments	158,954	40,688
Due from component unit		86,534
Service award program assets	1,102,071	
Deferred expenditures	119,000	
General fixed assets	77,436,723	118,000
Amounts to be provided for long-term debt	7,465,843	
Total Assets	\$ 93,297,350	\$ 1,074,615
LIABILITIES		
Payables		
Accounts payable	\$ 1,184,970	\$ 55,220
Accrued liabilities	207,049	
Due to other funds	1,744,230	
Due to component unit	86,534	
Due to employees' retirement system	62,254	
Compensated absences	698,589	
Other liabilities	1,227,201	
Notes payable		
Bond anticipation notes	6,929,229	
Deferred credits		
Deferred revenues	1,560,507	133,848
Bonds payable	6,705,000	
Total Liabilities	20,405,563	189,068
FUND EQUITY		
Investment in general fixed assets	77,436,723	118,000
Fund balances:		
Reserved for encumbrances	2,213,172	
Reserved for special projects	1,141,149	
Reserved for parks and conservations	49,698	
Unreserved - designated	200,000	
Unreserved - undesignated (deficit)	(8,148,955)	767,547
Total Fund Equity	72,891,787	885,547
Total Liabilities and Fund Equity	\$ 93,297,350	\$ 1,074,615

INCORPORATED VILLAGE OF PATCHOGUE
Combined Balance Sheet - All Fund Types and Account Groups (Continued)
 May 31, 2011

	General	Sewer	Business Improvement District	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash	\$ 3,052,809	\$ 1,747,775	\$ 113,260	\$ -	\$ -	\$ 4,913,844
Receivables						
Tax sale certificates	444					444
Taxes receivable		2,135				2,135
Accounts receivable	23,445					23,445
Mortgage receivable	150,000					150,000
Due from other funds	1,744,230					1,744,230
Due from other governments	133,023				25,931	158,954
Due from component unit						-
Service award program assets						-
Deferred expenditures	119,000					119,000
General fixed assets						-
Amounts to be provided for long-term debt						-
Total Assets	\$ 5,222,951	\$ 1,749,910	\$ 113,260	\$ -	\$ 25,931	\$ 7,112,052
LIABILITIES						
Payables						
Accounts payable	\$ 78,954	\$ 47,992	\$ 19,136	\$ -	\$ 1,038,888	\$ 1,184,970
Accrued liabilities	188,165	15,934	2,950			207,049
Due to other funds					1,744,230	1,744,230
Due to component unit	86,534					86,534
Due to employees' retirement system						-
Compensated absences						-
Other liabilities						-
Notes payable						
Bond anticipation note					6,929,229	6,929,229
Deferred credits						
Deferred revenues	1,385,781	152,543	22,183			1,560,507
Bonds payable						-
Total Liabilities	1,739,434	216,469	44,269	-	9,712,347	11,712,519
FUND EQUITY						
Investment in general fixed assets						-
Fund balances:						
Reserved for encumbrances	72,391	41,330	5,833		2,087,785	2,207,339
Reserved for special projects		1,113,819	27,330			1,141,149
Reserved for parks and conservations						
Unreserved - designated	200,000					200,000
Unreserved - undesignated (deficit)	3,211,126	378,292	35,828		(11,774,201)	(8,148,955)
Total Fund Equity (Deficit)	3,483,517	1,533,441	68,991	-	(9,686,416)	(4,600,467)
Total Liabilities and Fund Equity	\$ 5,222,951	\$ 1,749,910	\$ 113,260	\$ -	\$ 25,931	\$ 7,112,052

INCORPORATED VILLAGE OF PATCHOGUE
Combined Balance Sheet - All Fund Types and Account Groups (Continued)
 May 31, 2011

	Total Governmental Funds	Fiduciary Fund Types		Account Groups		Total Village
		Trust and Agency	Private Purpose	Fixed Assets	Long-Term Debt	
ASSETS						
Cash	\$ 4,913,844	\$ 125,130	\$ 55,531	\$ -	\$ -	\$ 5,094,505
Receivables						
Tax sale certificates	444					444
Taxes receivable	2,135					2,135
Accounts receivable	23,445					23,445
Mortgage receivable	150,000					150,000
Due from other funds	1,744,230					1,744,230
Due from other governments	158,954					158,954
Due from component unit	-					-
Service award program assets	-	1,102,071				1,102,071
Deferred expenditures	119,000					119,000
General fixed assets	-			77,436,723		77,436,723
Amounts to be provided for long-term debt	-				7,465,843	7,465,843
Total Assets	\$ 7,112,052	\$ 1,227,201	\$ 55,531	\$ 77,436,723	\$ 7,465,843	\$ 93,297,350
LIABILITIES						
Payables						
Accounts payable	\$ 1,184,970	\$ -	\$ -	\$ -	\$ -	\$ 1,184,970
Accrued liabilities	207,049					207,049
Due to other funds	1,744,230					1,744,230
Due to component unit	86,534					86,534
Due to employees' retirement system	-				62,254	62,254
Compensated absences	-				698,589	698,589
Other liabilities	-	1,227,201				1,227,201
Notes payable						
Bond anticipation note	6,929,229					6,929,229
Deferred credits						
Deferred revenues	1,560,507					1,560,507
Bonds payable	-				6,705,000	6,705,000
Total Liabilities	11,712,519	1,227,201	-	-	7,465,843	20,405,563
FUND EQUITY						
Investment in general fixed assets	-			77,436,723		77,436,723
Fund balances:						
Reserved for encumbrances	2,207,339		5,833			2,213,172
Reserved for special projects	1,141,149					1,141,149
Reserved for parks and conservations	-		49,698			49,698
Unreserved - designated	200,000					200,000
Unreserved - undesignated	(8,148,955)					(8,148,955)
Total Fund Equity	(4,600,467)	-	55,531	77,436,723	-	72,891,787
Total Liabilities and Fund Equity	\$ 7,112,052	\$ 1,227,201	\$ 55,531	\$ 77,436,723	\$ 7,465,843	\$ 93,297,350

INCORPORATED VILLAGE OF PATCHOGUE
Combined Statement of Revenues, Expenditures and
Changes in Fund Equity - All Fund Types
For The Year Ended May 31, 2011

	Total Governmental Funds	Fiduciary Fund Type Private Purpose	Total Village	Component Unit
REVENUES				
Real property taxes	\$ 6,201,893	\$	\$ 6,201,893	\$
Other tax items	979,702		979,702	
Non-property tax items	428,260		428,260	
Departmental income	2,803,604		2,803,604	
Intergovernmental charges	198,877		198,877	
Use of money and property	72,135		72,135	608
Licenses and permits	522,937		522,937	
Fines and forfeitures	348,674		348,674	
Sale of property and compensation for loss	231,249		231,249	
Miscellaneous	79,831		79,831	
State sources	2,299,435		2,299,435	
Federal sources	23,358		23,358	2,921,237
Total Revenues	14,189,955	-	14,189,955	2,921,845
EXPENDITURES				
General government support	3,180,601		3,180,601	
Public safety	2,106,437		2,106,437	
Health	2,000		2,000	
Transportation	1,449,734		1,449,734	
Economic opportunity and development	68,453		68,453	
Culture and recreation	666,732	6,343	673,075	
Home and community services	8,644,115		8,644,115	2,808,199
Employee benefits	2,240,478		2,240,478	
Debt service				
Principal	1,060,000		1,060,000	
Interest	273,887		273,887	
Total Expenditures	19,692,437	6,343	19,698,780	2,808,199
Excess (Deficiency) of Revenues Over Expenditures	(5,502,482)	(6,343)	(5,508,825)	113,646
OTHER SOURCES AND USES				
Operating transfers in	1,607,536		1,607,536	
Operating transfers out	(1,607,536)		(1,607,536)	
Total Other Sources and Uses	-	-	-	-
Net Change in Fund Equity	(5,502,482)	(6,343)	(5,508,825)	113,646
Fund Equity - Beginning of year	902,015	61,874	963,889	771,901
Fund Equity - End of year	\$ (4,600,467)	\$ 55,531	\$ (4,544,936)	\$ 885,547

INCORPORATED VILLAGE OF PATCHOGUE
Combined Statement of Revenues, Expenditures and
Changes in Fund Equity - All Fund Types (Continued)
For The Year Ended May 31, 2011

	General	Sewer	Business Improvement District	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 6,039,532	\$	\$ 162,361	\$	\$	\$ 6,201,893
Other tax items	90,627	889,075				979,702
Non-property tax items	428,260					428,260
Departmental income	2,705,812	97,792				2,803,604
Intergovernmental charges	198,877					198,877
Use of money and property	66,469	5,185	481			72,135
Licenses and permits	138,448	384,489				522,937
Fines and forfeitures	348,674					348,674
Sale of property and compensation for loss	231,249					231,249
Miscellaneous	23,620	2,150			54,061	79,831
State sources	238,116	18,099			2,043,220	2,299,435
Federal sources	23,358					23,358
Total Revenues	10,533,042	1,396,790	162,842	-	2,097,281	14,189,955
EXPENDITURES						
General government support	2,022,423	171,508	4,000		982,670	3,180,601
Public safety	1,564,645		60,909		480,883	2,106,437
Health	2,000					2,000
Transportation	1,449,734					1,449,734
Economic opportunity and development			68,453			68,453
Culture and recreation	585,288				81,444	666,732
Home and community services	1,130,351	775,526			6,738,238	8,644,115
Employee benefits	2,114,037	121,654	4,787			2,240,478
Debt service						
Principal				1,060,000		1,060,000
Interest				273,887		273,887
Total Expenditures	8,868,478	1,068,688	138,149	1,333,887	8,283,235	19,692,437
Excess (Deficiency) of Revenues Over Expenditures	1,664,564	328,102	24,693	(1,333,887)	(6,185,954)	(5,502,482)
OTHER SOURCES AND USES						
Operating transfers in				1,333,887	273,649	1,607,536
Operating transfers out	(1,501,315)	(76,221)	(30,000)			(1,607,536)
Total Other Sources and Uses	(1,501,315)	(76,221)	(30,000)	1,333,887	273,649	-
Net Change in Fund Equity	163,249	251,881	(5,307)	-	(5,912,305)	(5,502,482)
Fund Equity (Deficit) - Beginning of year	3,320,268	1,281,560	74,298	-	(3,774,111)	902,015
Fund Equity (Deficit) - End of year	\$ 3,483,517	\$ 1,533,441	\$ 68,991	\$ -	\$ (9,686,416)	\$ (4,600,467)

INCORPORATED VILLAGE OF PATCHOGUE
Statement of Revenues, Expenditures and Changes in Fund
Equity - Budget and Actual - General Fund
For The Year Ended May 31, 2011

	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
REVENUES				
Real property taxes	\$ 6,039,532	\$ 6,039,532	\$ -	\$ -
Other real property tax items	81,300	90,627		9,327
Non-property tax items	381,000	428,260		47,260
Departmental income	2,675,695	2,705,812		30,117
Intergovernmental charges	10,000	198,877		188,877
Use of money and property	84,456	66,469		(17,987)
Licenses and permits	183,700	138,448		(45,252)
Fines and forfeitures	200,000	348,674		148,674
Sale of property and compensation for loss	18,000	231,249		213,249
Miscellaneous	-	23,620		23,620
State sources	197,500	238,116		40,616
Federal sources		23,358		23,358
Total Revenues	9,871,183	10,533,042	-	661,859
EXPENDITURES				
General government support	2,114,047	2,022,423	16,104	75,520
Public safety	1,581,802	1,564,645	-	17,157
Health	2,000	2,000	-	-
Transportation	1,508,353	1,449,734	26,219	32,400
Economic opportunity and development	-	-	-	-
Culture and recreation	639,670	585,288	14,707	39,675
Home and community services	1,169,621	1,130,351	15,361	23,909
Employee benefits	2,126,341	2,114,037	-	12,304
Debt service	3,001	-	-	3,001
Total Expenditures	9,144,835	8,868,478	72,391	203,966
Excess (Deficiency) of Revenues Over Expenditures	726,348	1,664,564	(72,391)	865,825
OTHER USES				
Operating transfers out	(1,501,315)	(1,501,315)	-	-
Total Other Uses	(1,501,315)	(1,501,315)	-	-
Net Change in Fund Equity	(774,967)	163,249	\$ (72,391)	\$ 865,825
Fund Equity - Beginning of year	774,967	3,320,268		
Fund Equity - End of year	\$ -	\$ 3,483,517		

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Under the release of Statement No. 34 by the Governmental Accounting Standards Board (GASB), the Village was required to issue government-wide financial statements in order to conform with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The GASB is the accepted standards setting body for establishing governmental accounting and financial reporting principles. Government-wide financial statements include a Statement of Net Assets, a Statement of Activities, a Management's Discussion and Analysis and a fixed asset inventory with depreciation. The cost of preparing these financials far exceeds the benefit of preparation; therefore, the Village has elected not to present government-wide financial statements to display the financial position and changes in financial position of its governmental activities. In lieu of government-wide financial statements, the Village issued financial statements consisting of a Combined Balance Sheet for All Fund Types and Account Groups and a Combined Statement of Revenues, Expenditures and Changes in Fund Equity for All Fund Types under GASB Statement No. 14. These financial statements include all of the governmental activities of the Village except for the Justice Court activities, which is issued as a separate report. The more significant of the Village's accounting policies 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.

All governmental activities and functions performed for the Village of Patchogue are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

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 organizations, functions or activities are considered component unit and as such, are not included in the reporting unit but are discretely presented.

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 grant for which the Village of Patchogue is the grantee or sub-grantee.

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

The Agency operates, as delegated by the Village's Public Housing Agency (Village Board of Trustees), 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.

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.

- 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 are used to account for assets held by the Village in a trustee or custodial capacity.

Trust and Agency Fund - the trust and agency fund is used by the Village to account for money and/or property received and held by the Village in the capacity of trustee, custodian or agent.

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

These include expendable trusts, non-expendable trusts and agency funds. 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 – the community development fund is used to account for community development block grants received from the U.S. Department of Housing and Urban Development.

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 and expendable trust 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) Expenditures for deferred expenses and inventory-type items are recognized at the time of the disbursements when liable for payment;
- ii) Principal and interest on long-term debt is recognized as an expenditure when due;
- iii) Interest on short-term debt is recognized as an expenditure when due;

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

- iv) Unfunded pension costs are recognized as an expenditure when billed by the State; and
- v) Unfunded 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.
- vi) Other unfunded long-term debt, which is recognized as expenditures when payable.

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

d) Property Taxes

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

e) Interfund Transactions

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

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

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

f) Estimates

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

g) Cash and Cash Equivalents

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

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

h) Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible amounts 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.

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

j) Deferred Expenditures

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

k) Deferred Revenues

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

l) Employee Benefits

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

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

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

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

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

m) 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.

n) Fund Balance - Reservations and Designations

Unreserved fund balance consists of two classifications. A designation of unreserved fund balances in governmental funds indicates the planned use of these resources in the subsequent year's budget. The undesignated portion reports remaining fund balance that has not been designated or reserved.

Fund balance reserves 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:

Reserve for Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the general, sewer and capital projects funds. Encumbrances outstanding at year end are reported as reservations of fund balance since they do not constitute expenditures or liabilities. The reserve is accounted for in the general, sewer, business improvement district, and capital projects funds.

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.

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.

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

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.
- B. A public hearing is held on the tentative budget by April 15th. After completion of the budget hearing, the Board of Trustees may further change the tentative budget. Such budget, as so revised, shall be adopted by resolution no later than May 1st.
- C. All subsequent modifications of the budget must be approved by the Board of Trustees.

ii) Budget Basis of Accounting

Appropriations authorized for the current year are increased by the amount of the encumbrances carried forward from the prior year. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Trustees as a result of selected new revenue source not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. During the year, the Village had \$384,998 in supplementary appropriations funded by unappropriated fund balance for street repairs and river dredging.

As required by GAAP, a comparison of the legally adopted general fund budget and the actual results of operations are presented in the Statement of Revenues, Expenditures and Changes in Fund Equity - Budget and Actual - General Fund.

B. Deficit Fund Balance

The capital projects fund had a deficit fund balance of \$9,686,416 at May 31, 2011. 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.

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

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.

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, 2011, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 1,744,230	\$	\$	\$ 1,501,315
Sewer Fund				76,221
Business Improvement District Fund				30,000
Debt Service Fund			1,333,887	
Capital Projects Fund		1,744,230	273,649	
Total	<u>\$ 1,744,230</u>	<u>\$ 1,744,230</u>	<u>\$ 1,607,536</u>	<u>\$ 1,607,536</u>

6. GENERAL FIXED ASSETS

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

	Balance	Additions	Reductions	Balance
	May 31, 2010			May 31, 2011
Land	\$ 4,086,539	\$	\$ (45,000)	\$ 4,041,539
Construction in progress	1,990,219			1,990,219
Buildings	19,066,477	6,239,133	(53,250)	25,252,360
Land improvements	2,018,595	641,340		2,659,935
Infrastructure	39,092,404			39,092,404
Furniture, Fixtures and Equipment	4,049,678	373,923	(23,335)	4,400,266
Capital assets, net	<u>\$ 70,303,912</u>	<u>\$ 7,254,396</u>	<u>\$ (121,585)</u>	<u>\$ 77,436,723</u>

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

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

	Balance May 31, 2010	Additions	Reductions	Balance May 31, 2011
Land	\$ 118,000	\$ -	\$ -	\$ 118,000

7. 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.

For governmental funds the estimated value of earned and unused leave credits in the amount of \$698,589 is recorded in the General Long-Term Debt Account Group. This is based on current employee salary rates.

8. POST RETIREMENT BENEFITS

In addition to providing pension benefits, the Village provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the Village's employees may become eligible for these benefits if they reach normal retirement age while working for the Village. Health care benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Village recognizes the cost of providing benefits by recording its share of insurance premiums amounting to \$387,598 for 38 recipients as an expenditure for fiscal year ended May 31, 2011. Of the 38 recipients, four are surviving spouses who paid 25% or \$9,130, two are retirees paying 50% or \$13,730 and one is a vested former employee paying 100% or \$7,756 toward the cost of their health insurance during the fiscal year ended May 31, 2011.

In addition, the Village reimburses those retirees and spouses who are 65 years or older and have Medicare benefits. The amount of this expense for 28 retirees and 13 spouses was \$46,707 for the fiscal year ended May 31, 2011.

9. LONG-TERM LIABILITIES

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

	Balance May 31, 2010	Additions	Reductions	Balance May 31, 2011
Long-term debt:				
Bonds payable	\$ 7,765,000	\$	\$ (1,060,000)	\$ 6,705,000
Other long-term liabilities				
Compensated absences	622,936	75,653		698,589
Due to employees' retirement system	77,816		(15,562)	62,254
	\$ 8,465,752	\$ 75,653	\$ (1,075,562)	\$ 7,465,843

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

Bonds Payable

Bonds payable is comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at May 31, 2011</u>
Serial bond	10/15/2006	7/15/2022	3.88%	\$ 3,875,000
Serial bond	10/15/2008	7/15/2022	3.00%	950,000
Serial bond	1/15/2010	6/15/2016	2.50%	1,880,000
				<u>\$ 6,705,000</u>

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

<u>Fiscal Year Ending May 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 860,000	\$ 243,113	\$ 1,103,113
2013	890,000	213,438	1,103,438
2014	755,000	180,475	935,475
2015	770,000	150,912	920,912
2016	810,000	120,016	930,016
2017-2021	2,395,000	245,509	2,640,509
2022	<u>225,000</u>	<u>4,359</u>	<u>229,359</u>
Total	<u>\$ 6,705,000</u>	<u>\$ 1,157,822</u>	<u>\$ 7,862,822</u>

10. 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, Gov. Alfred E. Smith State Office Building, 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.

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

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>
2011	\$ 429,496
2010	264,331
2009	263,405

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, 2011, is \$1,102,071, which is accounted for in the Village's Trust & Agency fund.

11. 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, 2011, 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, 2011

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real Property Taxes				
Real property taxes	\$ 6,054,785	\$ 6,039,532	\$ 6,039,532	\$ -
Total Real Property Taxes	<u>6,054,785</u>	<u>6,039,532</u>	<u>6,039,532</u>	<u>-</u>
Other Real Property Tax Items				
Other payments in lieu of taxes	50,000	50,000	53,488	3,488
Interest and penalties	31,300	31,300	37,139	5,839
Total Other Real Property Tax Items	<u>81,300</u>	<u>81,300</u>	<u>90,627</u>	<u>9,327</u>
Non-Property Tax Items				
Utilities gross receipts tax	190,000	190,000	212,544	22,544
Franchise fees	180,000	180,000	204,489	24,489
Non-property tax, other	11,000	11,000	11,227	227
Total Non-Property Tax Items	<u>381,000</u>	<u>381,000</u>	<u>428,260</u>	<u>47,260</u>
Departmental Income				
Charges for tax redemption	500	500	831	331
Clerk fees	3,100	3,100	5,153	2,053
Personnel fees	4,000	4,000	4,760	760
Other general departmental income fees	85,897	85,897	85,898	1
Safety inspection fees	74,000	74,000	98,735	24,735
Other public safety departmental income	227,144	227,144	225,129	(2,015)
Public works charges	54,000	54,000	90,883	36,883
Parking meter fees non-taxable	37,000	37,000	34,373	(2,627)
Bus operations	19,000	19,000	11,459	(7,541)
Park and recreational charges	52,000	52,000	47,276	(4,724)
Special recreational facility charges	132,000	132,000	126,502	(5,498)
Zoning fees	10,000	10,000	3,014	(6,986)
Planning board fees	20,000	20,000	17,620	(2,380)
Refuse and garbage charges	1,970,452	1,957,054	1,954,179	(2,875)
Total Departmental Income	<u>2,689,093</u>	<u>2,675,695</u>	<u>2,705,812</u>	<u>30,117</u>
Intergovernmental Charges				
Snow removal fees	10,000	10,000	198,877	188,877
Total Intergovernmental Charges	<u>10,000</u>	<u>10,000</u>	<u>198,877</u>	<u>188,877</u>
Use of Money and Property				
Interest and earnings	30,000	30,000	12,594	(17,406)
Rental of real property	54,456	54,456	53,875	(581)
Total Use of Money and Property	<u>84,456</u>	<u>84,456</u>	<u>66,469</u>	<u>(17,987)</u>
Licenses and Permits				
Licenses	15,500	15,500	22,553	7,053
Permits	168,200	168,200	115,895	(52,305)
Total Licenses and Permits	<u>183,700</u>	<u>183,700</u>	<u>138,448</u>	<u>(45,252)</u>
Fines and Forfeitures				
Fines and forfeitures	200,000	200,000	346,924	146,924
Forfeitures of deposits	-	-	1,750	1,750
Total Fines and Forfeitures	<u>200,000</u>	<u>200,000</u>	<u>348,674</u>	<u>148,674</u>

INCORPORATED VILLAGE OF PATCHOGUE
Schedule of Revenues Compared to Budget - General Fund (Continued)
For The Year Ended May 31, 2011

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES (Continued)				
Sale of Property and Compensation for Loss				
Minor sales	\$ 1,000	\$ 1,000	\$ 54,635	\$ 53,635
Sales, other	1,000	1,000	3,138	2,138
Insurance recoveries	16,000	16,000	173,476	157,476
Total Sale of Property and Compensation for Loss	<u>18,000</u>	<u>18,000</u>	<u>231,249</u>	<u>213,249</u>
Miscellaneous				
Refund of prior year's expenditures	-	-	23,557	23,557
Other	-	-	63	63
Total Miscellaneous	<u>-</u>	<u>-</u>	<u>23,620</u>	<u>23,620</u>
State Aid				
Revenue sharing	95,000	95,000	94,674	(326)
Mortgage tax	100,000	100,000	141,292	41,292
Other general government aid	2,500	2,500	2,150	(350)
Total State Aid	<u>197,500</u>	<u>197,500</u>	<u>238,116</u>	<u>40,616</u>
Federal Aid				
Federal disaster assistance	-	-	23,358	23,358
Total Federal Aid	<u>-</u>	<u>-</u>	<u>23,358</u>	<u>23,358</u>
Total Revenues	<u>9,899,834</u>	<u>9,871,183</u>	<u>\$ 10,533,042</u>	<u>\$ 661,859</u>
Carried forward from prior year	<u>361,318</u>	<u>774,967</u>		
Total Revenues and Other Sources	<u>\$ 10,261,152</u>	<u>\$ 10,646,150</u>		

INCORPORATED VILLAGE OF PATCHOGUE
Schedule of Expenditures, Other Uses and Encumbrances
Compared to Budget - General Fund
For The Year Ended May 31, 2011

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES					
General Government Support					
Legislative board					
Personal services	\$ 64,800	\$ 64,800	\$ 62,075	\$	\$ 2,725
Contractual services	1,250	1,250	1,054		196
Village justice court					
Personal services	90,186	90,486	89,486		1,000
Equipment	3,000	-	-		-
Contractual services	35,950	37,050	32,206		4,844
Traffic violations					
Personal services	49,151	49,451	49,444		7
Mayor					
Personal services	28,800	28,800	28,800		-
Contractual services	5,000	6,300	6,168		132
Auditor					
Contractual services	60,000	33,600	33,500		100
Treasurer					
Personal services	170,985	154,085	153,341		744
Equipment	2,000	600	569		31
Contractual services	8,000	8,000	4,128		3,872
Assessment					
Personal services	42,861	42,861	42,861		-
Equipment	400	400	-		400
Contractual services	7,600	7,600	6,414		1,186
Tax advertising expense					
Contractual services	500	500	369		131
Fiscal agent fees					
Contractual services	-	-	-		-
Clerk and staff					
Personal services	166,856	163,906	162,054		1,852
Equipment	3,000	3,000	2,905		95
Contractual services	119,500	114,450	103,497		10,953
Law					
Contractual services	140,000	149,500	148,340		1,160
Engineer					
Contractual services	87,786	82,486	60,012	15,956	6,518
Buildings - village hall					
Personal services	27,456	52,756	52,466		290
Equipment	2,000	2,000	1,786		214
Contractual services	132,700	95,600	67,921		27,679
Central garage					
Personal services	134,586	130,236	128,780		1,456
Equipment	5,300	4,945	4,923		22
Contractual services	296,900	371,605	363,971	148	7,486
Unallocated insurance					
Contractual services	247,000	223,500	223,079		421
Municipal association dues					
Contractual services	5,131	5,131	5,131		-
Refund of taxes					
Contractual services	40,000	174,000	173,397		603
Payment of MTA payroll tax					
Contractual services	13,500	14,000	13,746		254
Contingent account					
Contractual services	80,000	1,149			1,149
Total General Government Support	<u>2,072,198</u>	<u>2,114,047</u>	<u>2,022,423</u>	<u>16,104</u>	<u>75,520</u>

INCORPORATED VILLAGE OF PATCHOGUE
Schedule of Expenditures, Other Uses and Encumbrances
Compared to Budget - General Fund (Continued)
For The Year Ended May 31, 2011

EXPENDITURES (Continued)	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
Public Safety					
Safety administration					
Personal services	\$ 233,311	\$ 233,311	\$ 227,920	\$	\$ 5,391
Equipment	700	700	-		700
Contractual services	7,400	7,400	6,061		1,339
Traffic					
Contractual services	46,000	40,000	38,287		1,713
Parking					
Personal services	52,520	52,820	52,722		98
Contractual services	1,850	1,550	480		1,070
Safety inspections					
Personal services	526,274	572,174	572,041		133
Equipment	4,500	11,550	11,415		135
Contractual services	66,849	57,899	51,321		6,578
Benefits	-	-	-		-
Miscellaneous public safety					
Contractual services	571,200	604,398	604,398		-
Total Public Safety	<u>1,510,604</u>	<u>1,581,802</u>	<u>1,564,645</u>	<u>-</u>	<u>17,157</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	693,130	720,430	719,677		753
Equipment	12,200	33,900	33,854		46
Contractual services	171,526	366,518	311,159	26,219	29,140
Snow removal					
Personal services	15,000	135,600	135,396		204
Equipment	16,000	-	-		-
Contractual services	6,000	16,500	16,070		430
Street lighting					
Personal services	28,621	7,121	6,740		381
Contractual services	211,000	178,500	178,112		388
Business operations					
Personal services	54,926	30,234	30,234		-
Contractual services	1,850	350	350		-
Off street parking					
Equipment	-	11,489	11,489		-
Contractual services	5,500	7,711	6,653		1,058
Total Transportation	<u>1,215,753</u>	<u>1,508,353</u>	<u>1,449,734</u>	<u>26,219</u>	<u>32,400</u>
Economic Assistance and Opportunity					
Publicity					
Contractual services	5,000	-	-		-
Total Economic Assistance and Opportunity	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Culture and Recreation					
Recreational administration					
Personal services	50,000	51,200	51,199		1
Contractual services	3,200	2,000	2,000		-
Parks					
Personal services	217,756	207,756	206,436		1,320
Equipment	4,000	6,200	6,113		87
Contractual services	76,000	73,800	56,445	112	17,243

INCORPORATED VILLAGE OF PATCHOGUE
Schedule of Expenditures, Other Uses and Encumbrances
Compared to Budget - General Fund (Continued)
For The Year Ended May 31, 2011

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)					
Playground and recreation centers					
Personal services	\$ 56,236	\$ 56,236	\$ 55,279	\$	\$ 957
Equipment	1,200	500	468		32
Contractual services	23,000	20,500	16,800		3,700
Marina & dock expense					
Personal services	24,000	26,400	25,611		789
Equipment	1,750	14,250	-	14,170	80
Contractual services	13,500	6,800	5,973		827
Special recreational facility - pool					
Personal services	65,568	55,868	52,743		3,125
Equipment	3,000	9,000	7,696		1,304
Contractual services	39,490	44,190	41,653		2,537
Band concerts					
Personal services	1,100				-
Contractual services	8,950	8,450	7,812		638
Youth programs					
Personal services	41,270	31,570	28,728		2,842
Equipment	300	300	-		300
Contractual services	10,500	10,700	8,792	425	1,483
Historian					
Contractual services	50	80	55		25
Celebrations					
Contractual services	4,000	1,470	718		752
Adult recreation					
Personal services	5,000	4,000	2,997		1,003
Equipment	200	200	-		200
Contractual services	7,200	8,200	7,770		430
Total Culture and Recreation	<u>657,270</u>	<u>639,670</u>	<u>585,288</u>	<u>14,707</u>	<u>39,675</u>
Home and Community Services					
Zoning board of appeals					
Personal services	7,500	7,500	7,500		-
Contractual services	12,836	12,836	10,305		2,531
Planning board					
Personal services	15,000	13,150	12,958		192
Contractual services	9,750	29,100	27,864	18	1,218
Storm sewers					
Personal services	-	500	480		20
Contractual services	35,694	22,494	7,062	15,343	89
Refuse					
Personal services	542,922	475,424	473,033		2,391
Equipment	5,000	40,000	40,000		-
Contractual services	749,085	487,985	481,859		6,126
Street cleaning					
Personal services	62,340	62,540	60,882		1,658
Contractual services	9,750	9,750	7,005		2,745
Shade trees					
Contractual services	8,342	8,342	1,403		6,939
Total Home and Community Services	<u>1,458,219</u>	<u>1,169,621</u>	<u>1,130,351</u>	<u>15,361</u>	<u>23,909</u>

INCORPORATED VILLAGE OF PATCHOGUE
Schedule of Expenditures, Other Uses and Encumbrances
Compared to Budget - General Fund (Continued)
For The Year Ended May 31, 2011

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)					
Employee Benefits					
State employee retirement	\$ 373,000	\$ 388,300	\$ 388,126	\$	\$ 174
Local pension fund	138,000	140,300	140,089		211
Social security and medicare	287,591	282,891	279,531		3,360
Workers compensation	183,000	199,500	198,645		855
Unemployment insurance	10,000	10,000	4,373		5,627
Disability insurance	100	100	-		100
Hospital and medical insurance	1,097,750	1,105,250	1,103,273		1,977
Other benefits	20,000	-	-		-
Total Employee Benefits	<u>2,109,441</u>	<u>2,126,341</u>	<u>2,114,037</u>	<u>-</u>	<u>12,304</u>
Debt Service					
Serial bonds					
Principal	964,512		-		-
Interest	266,155	3,001	-		3,001
Total Debt Service	<u>1,230,667</u>	<u>3,001</u>	<u>-</u>	<u>-</u>	<u>3,001</u>
Total Expenditures	10,261,152	9,144,835	8,868,478	72,391	203,966
OTHER USES					
Operating Transfers Out	-	1,501,315	1,501,315		-
Total Expenditures and Other Uses	<u>\$ 10,261,152</u>	<u>\$ 10,646,150</u>	<u>\$ 10,369,793</u>	<u>\$ 72,391</u>	<u>\$ 203,966</u>

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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund and the fiduciary funds of the Incorporated Village of Patchogue, as of and for the year ended May 31, 2011, which collectively comprise the Village's basic financial statements and have issued our report thereon dated October 21, 2011. 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

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 above.

Compliance and Other Matters

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

We noted certain matters that we have reported to the Board of Trustees and management of the Incorporated Village of Patchogue in a separate letter dated October 21, 2011.

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

Cullen & Danowski, LLP
October 21, 2011

