

**VILLAGE OF PORT CHESTER,  
NEW YORK**

*Basic Financial Statements, Required Supplementary  
Information, Supplemental and Federal Financial  
Assistance Schedules for the Year Ended May 31, 2013  
and Independent Auditors' Reports*



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## FINANCIAL SECTION





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Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Village Trustees  
Village of Port Chester, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Port Chester, New York (the "Village"), as of and for the year ended May 31, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village, as of May 31, 2013, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The accompanying combining fund financial statements and Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The accompanying combining fund financial statements and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate 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 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 accompanying combining fund financial statements and Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2013, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Handwritten signature of Duesch & Malach LLP in black ink.

September 27, 2013

(August 8, 2013 as to the Village of Port Chester Industrial Development Agency)



**VILLAGE OF PORT CHESTER, NEW YORK**  
**Management's Discussion and Analysis**  
**Year Ended May 31, 2013**

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As management of the Village of Port Chester, New York (the "Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the year ended May 31, 2013. For comparative purposes, certain items relating to the year ended May 31, 2012 presentation have been reclassified. This document should be read in conjunction with additional information that we have furnished in the Village's financial statements which follow this narrative.

**Financial Highlights**

- ◆ The Village's total primary government net position decreased \$2,433,517 as a result of this year's activity.
- ◆ The assets of the Village's primary government exceeded its liabilities at the close of the fiscal year by \$578,628 (net position). Of this amount, \$14,104,099 represents the Village's net investment in capital assets. Additionally, at May 31, 2013 the Village considers \$2,491,130 as restricted net position and recognizes a deficit balance of \$16,016,601 within its unrestricted classification.
- ◆ At the close of the current fiscal year, the Village's governmental funds reported combined ending fund balance of \$8,996,925, a decrease of \$1,273,545 in comparison with the prior year. This decrease in fund balance is primarily due to an increase of public safety and employee benefit expenditures within the General Fund.
- ◆ The General Fund reported a net decrease in fund balance this year of \$1,127,373. At May 31, 2013, unassigned fund balance for the General Fund was \$4,381,505, or approximately 12.0 percent of total General Fund expenditures.
- ◆ During the year ended May 31, 2013, the Village paid \$2,340,000 of its bond indebtedness.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements include two kinds of statements that present different views of the Village:

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide the reader with a broad overview of the Village's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Village's financial status as a whole.

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

The *statement of activities* presents information showing how the Village's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges. The governmental activities of the Village include general government support, public safety, health, transportation, economic assistance and opportunity, culture and recreation, home and community services, and interest and other fiscal charges.

The government-wide financial statements can be found on pages 12-13 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Village has two kinds of funds:

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

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

The Village maintains four individual governmental funds: the General Fund, the Capital Projects Fund, the Special Purpose Fund and the Debt Service Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the Village's major funds, which include the General Fund and the Capital Projects Fund. Data from the other two governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 14-18 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Village’s own programs. The Village maintains one fiduciary fund, the Agency Fund.

The fiduciary fund financial statement can be found on page 19 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-41 of this report.

**Other information.** As stated earlier, the financial statements include a section with combining statements that provide details about the nonmajor governmental funds, which are added together and presented in a single column in the basic financial statements.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Village’s primary government, assets exceeded liabilities by \$578,628 at the close of the May 31, 2013 fiscal year, as compared to assets exceeding liabilities by \$3,012,145 at May 31, 2012.

**Table 1—Condensed Statements of Net Position-Primary Government**

	May 31,	
	2013	2012
Current assets	\$ 12,890,669	\$ 14,812,049
Capital assets	<u>42,921,478</u>	<u>43,775,139</u>
Total assets	<u>55,812,147</u>	<u>58,587,188</u>
Current liabilities	4,172,186	4,853,079
Non-current liabilities	<u>51,061,333</u>	<u>50,721,964</u>
Total liabilities	<u>55,233,519</u>	<u>55,575,043</u>
Net investment in capital assets	14,104,099	13,193,670
Restricted	2,491,130	2,637,633
Unrestricted	<u>(16,016,601)</u>	<u>(12,819,158)</u>
Total net position	<u>\$ 578,628</u>	<u>\$ 3,012,145</u>

At May 31, 2013, total assets of the Village are \$55,812,147. The largest portion of total assets is its capital assets in the amount of \$42,921,478.

The Village’s liabilities totaled \$55,233,519 at May 31, 2013. The largest portion of the liabilities is bonds payable debt of \$31,995,000.

The Village had favorable current ratios of 3.09 and 3.05 at May 31, 2013 and 2012, respectively. Such a ratio implies that the Village has sufficient assets on hand to cover its current liabilities that will come due in the coming year. Table 2, as shown below, presents the current ratio for the Village at May 31, 2013 and May 31, 2012.

**Table 2—Current Assets and Current Liabilities-Primary Government**

	May 31,	
	2013	2012
Current assets	\$ 12,890,669	\$ 14,812,049
Current liabilities	4,172,186	4,853,079
Ratio of current assets to current liabilities	3.09	3.05

The largest portion of the Village's net position, \$14,104,099, reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Additionally, \$2,491,130 of net position is considered restricted net position, which represents resources that are subject to external restrictions on how they may be used. The Village also reports a deficit for unrestricted net position in the amount of \$16,016,601.

Total net position decreased by \$2,433,517 from prior year. The decrease can be primarily attributed to an increase of general governmental support and public safety expenses resulting from rising employee benefits costs.

Table 3, as presented below, shows the changes in net position for the year ended May 31, 2013:

**Table 3—Condensed Statements of Changes in Net Position-Primary Government**

	Year Ended May 31,	
	2013	2012
Program revenues:		
Charges for services	\$ 6,276,923	\$ 5,893,426
Operating grants and contributions	824,348	283,042
Capital grants and contributions	4,246,513	894,614
General revenues	<u>28,775,241</u>	<u>28,584,487</u>
Total revenues	40,123,025	35,655,569
Program expenses	<u>42,556,542</u>	<u>37,938,228</u>
Change in net position	(2,433,517)	(2,282,659)
Net position—beginning	<u>3,012,145</u>	<u>5,294,804</u>
Net position—ending	<u>\$ 578,628</u>	<u>\$ 3,012,145</u>



Overall revenues and expenses increased 12.5 and 12.2 percent, respectively, from the year ended May 31, 2012, primarily due to a \$3,220,961 settlement of an outstanding judgment against the Village of Port Chester, arising from a condemnation award made regarding the Modified Marina Redevelopment Project. The developer is required under contract to indemnify the Village for all acquisition expense; and, said amount was paid by the developer and received within capital grants and contributions, and which were expensed by the Village within general government support. Additionally, operating and capital grants and contributions revenues and public safety expenses increased from the prior year as a result of FEMA grants received and expensed during the year ended May 31, 2013.

A summary of sources of revenues for the years ended May 31, 2013 and May 31, 2012 is presented below in Table 4:

**Table 4—Summary of Sources of Revenues-Primary Government**

	May 31,		Increase/(Decrease)	
	2013	2012	Dollars	Percent (%)
Charges for services	\$ 6,276,923	\$ 5,893,426	\$ 383,497	6.5
Operating grants and contributions	824,348	283,042	541,306	191.2
Capital grants and contributions	4,246,513	894,614	3,351,899	374.7
Taxes	27,558,060	27,468,745	89,315	0.3
Use of money and property	16,182	16,552	(370)	(2.2)
State aid	628,738	628,837	(99)	0.0
Miscellaneous	572,261	470,353	101,908	21.7
Total revenues	<u>\$ 40,123,025</u>	<u>\$ 35,655,569</u>	<u>\$ 4,467,456</u>	12.5

The most significant source of revenues is taxes, which account for \$27,558,060, or 68.7 percent of total revenues for the year ended May 31, 2013, and \$27,468,745, or 77.0 percent of total revenues for the year ended May 31, 2012. The next largest source of revenue is charges for services, which accounts for \$6,276,923, or 15.6 percent of total revenues, for the year ended May 31, 2013 and \$5,893,426, or 16.5 percent of total revenues for the year ended May 31, 2012.

A summary of program expenses for the years ended May 31, 2013 and May 31, 2012 is presented below:

**Table 5—Summary of Sources of Expenses-Primary Government**

	May 31,		Increase/(Decrease)	
	2013	2012	Dollars	Percent (%)
General government support	\$ 13,224,435	\$ 8,296,129	\$ 4,928,306	59.4
Public safety	17,237,039	17,272,082	(35,043)	(0.2)
Health	393,730	404,677	(10,947)	(2.7)
Transportation	3,205,776	2,678,547	527,229	19.7
Economic assistance and opportunity	617,523	589,936	27,587	4.7
Culture and recreation	3,208,618	3,303,851	(95,233)	(2.9)
Home and community services	3,561,572	3,555,171	6,401	0.2
Interest and other fiscal charges	1,107,849	1,837,835	(729,986)	(39.7)
Total program expenses	<u>\$ 42,556,542</u>	<u>\$ 37,938,228</u>	<u>\$ 4,618,314</u>	12.2

The Village's significant expense items for the year ended May 31, 2013 were public safety of \$17,237,039, or 40.5 percent of total expenses, general government support of \$13,224,435, or 31.1 percent of total expenses and home and community services of \$3,561,572, or 8.4 percent of total expenses. Similarly, significant expense items for the year ended May 31, 2012 were public safety of \$17,272,082, or 45.5 percent of total expenses, general government support of \$8,296,129, or 21.9 percent of total expenses, and home and community services of \$3,555,171, or 9.4 percent of total expenses.

### **Financial Analysis of the Village's Funds**

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

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$8,996,925, a decrease of \$1,273,545 in comparison with the prior year. *Unassigned fund balance* is \$4,381,505, or approximately 10.6 percent of total governmental expenditures. Additionally, the Village's *assigned fund balances* total \$800,000. Together, *unassigned* and *assigned fund balance* represent \$5,181,505, or 12.5 percent of total governmental expenditures. *Nonspendable* amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. *Nonspendable fund balance* consists of \$353,124 for prepaid items. *Restricted* amounts are constrained to specific purposes by their providers through constitutional provisions or by enabling legislation. *Restricted fund balance* totals \$3,028,016 at May 31, 2013, restricted for workers' compensation, liability claims, and fund balances maintained in the Capital Projects, Special Purpose and Debt Service Funds. *Committed* amounts are subject to a purpose constraint imposed by formal action of the Village's highest level of decision-making authority. *Committed fund balance* is comprised of \$268,462 for future debt service payments and \$165,818 for encumbrances at May 31, 2013.

The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, *unassigned fund balance* of the General Fund was \$4,381,505, while total fund balance was \$7,849,982. As a measure of the General Fund's liquidity, it may be useful to compare both *unassigned fund balance* and total fund balance to total expenditures. *Unassigned fund balance* represents 11.9 percent of General Fund expenditures and transfers out, while total fund balance represents 21.3 percent of that same amount.

During the year ended May 31, 2013, the Village's Capital Projects Fund fund balance decreased \$121,265 from prior year. Capital Projects Fund reported \$536,886 of restricted fund balance.

### **General Fund Budgetary Highlights**

A summary of the General Fund results of operations for the year ended May 31, 2013 is presented on the next page in Table 6.

**Table 6—Summary of General Fund Results of Operations**

	Budgeted Amounts			Actual	Variance with
	Original	Final	Difference		Final Budget
Revenues and other financing sources	\$34,814,679	\$35,940,701	\$1,126,022	\$35,763,268	\$ (177,433)
Expenditures and other financing uses	35,764,619	36,890,641	1,126,022	36,890,641	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (949,940)	\$ (949,940)	\$ -	\$ (1,127,373)	\$ (177,433)

**Original budget compared to final budget.** At the close of the fiscal year, budgeted revenues and appropriations were increased by \$1,126,022 to adjust for events occurring subsequent to the adoption of the budget.

**Final budget compared to actual results.** A review of actual revenues and expenditures compared to the estimated revenues and appropriations in the final budget yields several variances including a significant unfavorable variance of \$1,043,995 within transfers in. This variance was caused by a delay in funding capabilities in the Village's planned Sewer Fund.

#### Capital Asset and Debt Administration

**Capital assets.** The Village's investment in capital assets for its governmental activities as of May 31, 2013, amounted to \$42,921,478 (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, infrastructure, machinery and equipment, and intangible assets.

All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the Village's capital asset policy. Similarly, intangible assets are amortized on the basis within the Village's policy.

Capital assets net of depreciation for the governmental activities at the years ended May 31, 2013 and May 31, 2012 are presented below in Table 7.

**Table 7—Summary of Capital Assets (Net of Depreciation/Amortization)**

	May 31,	
	2013	2012
Land	\$ 904,938	\$ 606,100
Construction in progress	2,189,373	2,635,570
Land improvements	3,942,156	4,179,777
Building and improvements	15,511,391	16,039,493
Infrastructure	16,780,290	16,630,044
Machinery and equipment	3,291,272	3,684,155
Intangible assets	302,058	-
Total	<u>\$42,921,478</u>	<u>\$ 43,775,139</u>

Additional information on the Village's capital assets can be found in Note 4 of this report.

**Long-term debt.** At May 31, 2013, the Village had total bonded debt outstanding of \$31,995,000, as compared to \$34,335,000 in the prior year.

Additional information on the Village's long-term debt can be found in Note 10 of this report.

### **Economic Factors**

The unemployment rate for the Village of Port Chester, New York during May 2013 was 5.3 percent, which is a slight decrease from 5.9 percent a year ago. This compares favorably to New York State's average unemployment rate of 8.2 percent and is also favorable compared to the national average rate of 7.8 percent. Unemployment rates, amongst various other factors, are considered in preparing the Village's budgets.

### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Treasurer's Office, Village of Port Chester, 222 Grace Church Street, Port Chester, NY 10573.

# BASIC FINANCIAL STATEMENTS



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**VILLAGE OF PORT CHESTER, NEW YORK**  
**Statement of Net Position**  
**May 31, 2013**

	<b>Primary Government</b>	<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Industrial Development Agency</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,252,145	\$ 277,549
Restricted cash	4,302,510	-
Accounts receivable	632,916	109
Due from other governments	2,297,166	-
Internal balances	52,808	-
Prepaid items	353,124	9,000
Capital assets not being depreciated	3,094,311	-
Capital assets, net of accumulated depreciation/amortization	39,827,167	-
Total assets	55,812,147	286,658
<b>LIABILITIES</b>		
Accounts payable	747,721	1,802
Accrued liabilities	696,687	-
Due to retirement system	561,906	-
Retainage payable	89,256	-
Unearned revenue	876,616	-
Bond anticipation notes payable	1,200,000	-
Non-current liabilities:		
Due within one year	2,715,816	-
Due within more than one year	48,345,517	-
Total liabilities	55,233,519	1,802
<b>NET POSITION</b>		
Net investment in capital assets	14,104,099	-
Restricted	2,491,130	-
Unrestricted	(16,016,601)	284,856
Total net position	\$ 578,628	\$ 284,856

The notes to the financial statements are an integral part of this statement.



**VILLAGE OF PORT CHESTER, NEW YORK**  
**Statement of Activities**  
**Year Ended May 31, 2013**

<u>Function/Program</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary</u>	<u>Component</u>
					<u>Governmental Activities</u>	<u>Unit Industrial Development Agency</u>
<b>Primary government:</b>						
Governmental activities:						
General government support	\$ 13,224,435	\$ 1,364,837	\$ -	\$ 3,374,224	\$ (8,485,374)	\$ -
Public safety	17,237,039	3,732,983	591,544	-	(12,912,512)	-
Health	393,730	20,618	-	-	(373,112)	-
Transportation	3,205,776	94,095	-	169,754	(2,941,927)	-
Economic assistance and opportunity	617,523	-	-	8,125	(609,398)	-
Culture and recreation	3,208,618	385,095	-	-	(2,823,523)	-
Home and community services	3,561,572	679,295	232,804	694,410	(1,955,063)	-
Interest and other fiscal charges	1,107,849	-	-	-	(1,107,849)	-
Total primary government	<u>\$ 42,556,542</u>	<u>\$ 6,276,923</u>	<u>\$ 824,348</u>	<u>\$ 4,246,513</u>	<u>(31,208,758)</u>	<u>-</u>
<b>Component Unit:</b>						
Industrial Development Agency	<u>\$ 37,964</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>(37,964)</u>
General revenues:						
Taxes					27,558,060	-
Use of money and property					16,182	538
State aid					628,738	-
Miscellaneous					572,261	-
Total general revenues					<u>28,775,241</u>	<u>538</u>
Change in net position					(2,433,517)	(37,426)
Net position—beginning					3,012,145	322,282
Net position—ending					<u>\$ 578,628</u>	<u>\$ 284,856</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PORT CHESTER, NEW YORK**  
**Balance Sheet—Governmental Funds**  
**May 31, 2013**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,252,145	\$ -	\$ -	\$ 5,252,145
Restricted cash	1,881,073	1,813,835	607,602	4,302,510
Accounts receivable	629,639	3,277	-	632,916
Due from other funds	22,808	30,000	2,455	55,263
Due from other governments	1,714,838	582,328	-	2,297,166
Prepaid items	353,124	-	-	353,124
Total assets	<u>\$ 9,853,627</u>	<u>\$ 2,429,440</u>	<u>\$ 610,057</u>	<u>\$ 12,893,124</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 682,308	\$ 65,413	\$ -	\$ 747,721
Accrued liabilities	418,245	-	-	418,245
Due to retirement systems	561,906	-	-	561,906
Due to other funds	-	2,455	-	2,455
Retainage payable	-	89,256	-	89,256
Unearned revenue	341,186	535,430	-	876,616
Bond anticipation notes payable	-	1,200,000	-	1,200,000
Total liabilities	<u>2,003,645</u>	<u>1,892,554</u>	<u>-</u>	<u>3,896,199</u>
<b>FUND BALANCES</b>				
Nonspendable	353,124	-	-	353,124
Restricted	1,881,073	536,886	610,057	3,028,016
Committed	434,280	-	-	434,280
Assigned	800,000	-	-	800,000
Unassigned	4,381,505	-	-	4,381,505
Total fund balances	<u>7,849,982</u>	<u>536,886</u>	<u>610,057</u>	<u>8,996,925</u>
Total liabilities and fund balances	<u>\$ 9,853,627</u>	<u>\$ 2,429,440</u>	<u>\$ 610,057</u>	<u>\$ 12,893,124</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PORT CHESTER, NEW YORK**  
**Reconciliation of the Balance Sheet of**  
**Governmental Funds to the Statement of Net Position**  
**May 31, 2013**

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Amounts reported for governmental activities in the statement of net position (page 12) are different because:

Fund balances—total governmental funds (page 14)		\$ 8,996,925
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$65,756,204 and the accumulated depreciation is \$22,834,726.		42,921,478
Net accrued interest expense for bonds is not reported in the funds.		(278,442)
Long-term liabilities (bonds payable, compensated absences, other post-employment benefits ("OPEB") and judgments and claims) are not due and payable in the current period and, therefore are not reported in the funds. The effect of these items are:		
Bonds payable	\$ (31,995,000)	
Compensated absences	(4,309,285)	
OPEB	(13,350,000)	
Judgments and claims	<u>(1,407,048)</u>	<u>(51,061,333)</u>
Net position of governmental activities		<u>\$ 578,628</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PORT CHESTER, NEW YORK**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances—Governmental Funds**  
**Year Ended May 31, 2013**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 21,814,719	\$ -	\$ -	\$ 21,814,719
Other tax items	947,152	-	-	947,152
Non-property tax items	4,796,189	-	-	4,796,189
Departmental income	3,638,550	-	-	3,638,550
Use of money and property	348,599	-	2,788	351,387
Licenses and permits	277,634	-	-	277,634
Fines and forfeitures	2,018,587	-	-	2,018,587
Miscellaneous	357,250	294,373	3,396,312	4,047,935
State aid	686,534	754,457	-	1,440,991
Federal aid	672,049	117,832	-	789,881
Total revenues	<u>35,557,263</u>	<u>1,166,662</u>	<u>3,399,100</u>	<u>40,123,025</u>
<b>EXPENDITURES</b>				
Current:				
General government support	5,429,155	-	3,413,066	8,842,221
Public safety	11,056,158	-	-	11,056,158
Health	261,723	-	-	261,723
Transportation	1,553,719	-	-	1,553,719
Economic assistance and opportunity	376,738	-	-	376,738
Culture and recreation	1,954,343	-	-	1,954,343
Home and community services	2,220,079	-	-	2,220,079
Employee benefits	10,090,459	-	-	10,090,459
Capital outlay	-	1,560,223	-	1,560,223
Debt service:				
Principal	2,340,000	-	-	2,340,000
Interest	1,140,907	-	-	1,140,907
Total expenditures	<u>36,423,281</u>	<u>1,560,223</u>	<u>3,413,066</u>	<u>41,396,570</u>
Excess (deficiency) of revenues over expenditures	<u>(866,018)</u>	<u>(393,561)</u>	<u>(13,966)</u>	<u>(1,273,545)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	206,005	467,360	189,059	862,424
Transfers out	<u>(467,360)</u>	<u>(195,064)</u>	<u>(200,000)</u>	<u>(862,424)</u>
Total other financing sources (uses)	<u>(261,355)</u>	<u>272,296</u>	<u>(10,941)</u>	<u>-</u>
Net change in fund balances	(1,127,373)	(121,265)	(24,907)	(1,273,545)
Fund balances—beginning	<u>8,977,355</u>	<u>658,151</u>	<u>634,964</u>	<u>10,270,470</u>
Fund balances—ending	<u>\$ 7,849,982</u>	<u>\$ 536,886</u>	<u>\$ 610,057</u>	<u>\$ 8,996,925</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PORT CHESTER, NEW YORK**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balance of Governmental Funds to the Statement of Activities**  
**Year Ended May 31, 2013**

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Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net change in fund balances—total governmental funds (page 16) \$ (1,273,545)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Net capital asset additions, deletions and reclassifications	\$ 1,631,538	
Depreciation expense	<u>(2,485,199)</u>	(853,661)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of serial bonds	\$ 2,340,000	
Change in interest expense accrual	<u>33,058</u>	2,373,058

In the statement of activities, certain operating expenses—compensated absences (vacation & sick leave), other post-employment benefits ("OPEB"), and judgments and claims—are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences is as follows:

Compensated absences	\$ 59,760	
OPEB	(3,170,000)	
Judgments and claims	<u>430,871</u>	<u>(2,679,369)</u>

Change in net position of governmental activities \$ (2,433,517)

The notes to the financial statements are an integral part of this statement.

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**VILLAGE OF PORT CHESTER, NEW YORK**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balances—Budget and Actual (GAAP Basis)—General Fund**  
**Year Ended May 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 21,896,468	\$ 21,896,468	\$ 21,814,719	\$ (81,749)
Other tax items	738,001	738,001	947,152	209,151
Non-property tax items	4,379,001	4,672,686	4,796,189	123,503
Departmental income	3,028,693	3,221,061	3,638,550	417,489
Use of money and property	322,867	322,867	348,599	25,732
Licenses and permits	185,430	185,430	277,634	92,204
Fines and forfeitures	2,204,001	2,270,529	2,018,587	(251,942)
Miscellaneous	81,000	106,000	357,250	251,250
State aid	604,936	604,936	686,534	81,598
Federal aid	124,282	672,723	672,049	(674)
Total revenues	<u>33,564,679</u>	<u>34,690,701</u>	<u>35,557,263</u>	<u>866,562</u>
<b>EXPENDITURES</b>				
Current:				
General government support	5,223,832	5,429,155	5,429,155	-
Public safety	11,151,690	11,056,158	11,056,158	-
Health	275,834	261,723	261,723	-
Transportation	1,598,036	1,553,719	1,553,719	-
Economic assistance and opportunity	380,660	376,738	376,738	-
Culture and recreation	1,919,095	1,954,343	1,954,343	-
Home and community services	2,184,371	2,220,079	2,220,079	-
Employee benefits	9,100,192	10,090,459	10,090,459	-
Debt service:				
Principal	2,740,000	2,340,000	2,340,000	-
Interest	1,140,909	1,140,907	1,140,907	-
Total expenditures	<u>35,714,619</u>	<u>36,423,281</u>	<u>36,423,281</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(2,149,940)</u>	<u>(1,732,580)</u>	<u>(866,018)</u>	<u>866,562</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,250,000	1,250,000	206,005	(1,043,995)
Transfers out	(50,000)	(467,360)	(467,360)	-
Total other financing sources (uses)	<u>1,200,000</u>	<u>782,640</u>	<u>(261,355)</u>	<u>(1,043,995)</u>
Net change in fund balances*	(949,940)	(949,940)	(1,127,373)	(177,433)
Fund balances—beginning	8,977,355	8,977,355	8,977,355	-
Fund balances—ending	<u>\$ 8,027,415</u>	<u>\$ 8,027,415</u>	<u>\$ 7,849,982</u>	<u>\$ (177,433)</u>

\* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance and re-appropriation of prior year encumbrances.

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PORT CHESTER, NEW YORK**  
**Statement of Net Position—Agency Fund**  
**May 31, 2013**

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,211,869
Total assets	<u>\$ 1,211,869</u>
<b>LIABILITIES</b>	
Temporary withholdings liabilities	\$ 1,159,061
Due to other funds	<u>52,808</u>
Total liabilities	<u>\$ 1,211,869</u>

The notes to the financial statements are an integral part of this statement.



**VILLAGE OF PORT CHESTER, NEW YORK**  
**Notes to the Financial Statements**  
**Year Ended May 31, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Village of Port Chester, New York (the “Village”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village’s accounting policies are described below.

***Description of Government-wide Financial Statements***

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Village reports no business-type activities. The primary government is reported separately from the legally separate component unit for which the primary government has a significant operational relationship.

***Reporting Entity***

The Village was established pursuant to an act of the New York State Legislature in 1868. The Village operates under a Board of Trustees form of government in accordance with its Charter and the various other applicable laws of the State of New York. The Village Board of Trustees is the legislative body responsible for overall operation. The Village Manager is the Chief Administrative Officer and Chief Executive Officer, where the power is not entrusted with the Mayor, and the Village Treasurer serves as the Chief Financial Officer. The Village provides the following services to its residents: public safety, health, transportation, economic opportunity and development, culture and recreation, home and community services and general and administrative support.

Independently elected officials of the Village include the Mayor and Trustees (6).

Units of local government which operate within the boundaries of the Village are the County of Westchester and the Town of Rye. Public education is provided by the Port Chester-Rye Union Free School District.

**Discretely presented component unit.** The following entity is considered to be a component unit to the Village’s reporting entity because of their operational or financial relationship with the Village:

The Village of Port Chester Industrial Development Agency (“Agency”) is a public benefit corporation created by State legislation to promote the economic welfare, recreation opportunities and prosperity of the Village’s inhabitants. Members of the Agency are appointed by Board of Trustees. Agency members have complete responsibility for management of the Agency and accountability for fiscal matters. The Village is not liable for Agency bonds or notes. The governing board of the Agency serves at the pleasure of the Village Board and, therefore, the Village is considered able to impose its will on the Agency. Since the Agency does not provide services entirely or almost entirely to the Village of Port Chester, the financial statements of the Agency have been reflected as a discretely presented component unit.

### ***Basis of Presentation – Government-wide Financial Statements***

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments and charges between the Village's various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

### ***Basis of Presentation – Fund Financial Statements***

The fund financial statements provide information about the Village's funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Village reports the following major governmental funds:

- *General Fund*—The General Fund constitutes the primary operating fund of the Village and includes all operations not required to be recorded in other funds.
- *Capital Projects Fund*—The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The Village also reports the following nonmajor governmental funds within other governmental funds:

- *Special Purpose Fund*—This fund is used to account for specific purposes that were created to benefit the Village, generally funded through gifts and donations.
- *Debt Service Fund*—This fund is used to account for resources accumulated and reserved for future debt service obligations.

Additionally, the Village reports the following fund type:

*Fiduciary Fund*—The *Agency Fund* is used to account for assets held by the Village as an agent for individuals, other governments, or other funds.

During the course of operations the Village has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

### ***Measurement Focus and Basis of Accounting***

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, charges for services provided, and state and federal aid associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period of availability. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and amount is received during the period of availability.

### ***Budgets and Budgetary Accounting***

Through the budget, the Board of Trustees sets the direction of the Village, allocates its resources and establishes its priorities. The annual budget assures the efficient and effective uses of the Village's economic resources, as well as establishing that the highest priority objectives are accomplished.

Formal budgetary integration is employed during the year as a management control device for the General Fund. The Capital Projects Fund and Special Purpose Fund appropriations are not included in the Village's annual budget. Instead, appropriations are approved through a Village Board resolution at the grant/project's inception and lapse upon completion/termination of the grant/project.

The Village generally follows these procedures in establishing the budgetary data reflected in the financial statements:

- On or before March 20th, the budget officer submits to the Village Clerk a “tentative” operating budget for the following fiscal year to commence on June 1<sup>st</sup>. This budget includes the proposed expenditures and means of financing.
- The Board of Trustees, on or before March 31<sup>st</sup>, meets to discuss and review the tentative budget. The Board of Trustees conducts a public hearing on the tentative budget to obtain taxpayer comments on or before April 15<sup>th</sup>. After the public hearing and on or before May 1<sup>st</sup>, the Trustees meet to consider and adopt the budget.
- A budget for the General Fund is legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. Annual budgets are not adopted for the Debt Service or Special Purpose funds.
- The Village Board has established legal control on the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval by the Village Manager. Any modifications to appropriations resulting from increases in revenue estimates or supplemental reserve appropriations also require a majority vote by the Board.
- Appropriations in the General Fund lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year, pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

***Encumbrances***—In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as commitments of fund balance since they do not constitute expenditures or liabilities.

***Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance***

***Cash, Cash Equivalents and Investments***—Cash, cash equivalents and investments consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments which are readily convertible to known amounts of cash and have an original maturity date within 90 days or less from the date of acquisition. The Village had no investments at May 31, 2013; however, when the Village does have investments they are recorded at fair value based on quoted market value.

***Restricted Cash***—Unspent proceeds from debt are reported as restricted cash and cash equivalents within the Village’s Capital Projects Fund. The proceeds of debt can only be used for the stated purpose of the borrowing. The Village also reports restricted cash within its General Fund, Special Purpose Fund and Debt Service Fund, which represents amounts with constraints placed on their use by either external parties and/or statute.

***Prepaid Items***—Certain payments to the retirement systems and workers’ compensation administrator reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**Capital Assets**—Capital assets, which include property, buildings, equipment, internally generated software and infrastructure assets (e.g. roads, bridges, drainage systems and similar items) are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the Village chose to include all such items regardless of their acquisition date or amount. The Village was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price level index to deflate the cost to the acquisition year or estimated acquisition year). As the Village constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, intangible assets and infrastructure of the Village are depreciated and intangible assets are amortized using the straight line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	10-50
Buildings and improvements	20-50
Infrastructure	25-50
Machinery and equipment	5-10
Intangible assets	10

**Deferred Outflows/Inflows of Resources**—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At May 31, 2013, the Village does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At May 31, 2013, the Village does not have any items that qualify for reporting in this category.

**Net Position Flow Assumptions**—Sometimes the Village will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village’s policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

***Fund Balance Flow Assumptions***—Sometimes the Village will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

***Fund Balance Policies***—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Village itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Village’s highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the Village that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes, but do not meet the criteria to be classified as committed. The Board of Trustees has by resolution authorized the Village Manager to assign fund balance. The Board may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

### ***Revenues and Expenditures/Expenses***

***Program Revenues***—Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided and 2) grants and contributions. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as *general revenues* rather than as program revenues.

***Property Taxes***—Village property taxes are levied annually on June 1. The Village tax rate is based on the amount per \$1,000 assessed valuation. Taxes may be paid to the Village between June 1 and December 31.

Outstanding taxes as of November 1 are forwarded to Westchester County for re-levy and collection. The County pays the Village the amount of its outstanding taxes prior to the end of the Village’s fiscal year.

***Unearned Revenue***—Certain revenues have not met the revenue recognition criteria for fund financial purposes. At May 31, 2013 the Village reported unearned revenues within the General Fund and Capital Projects Fund in the amounts of \$341,186 and \$535,430, respectively. The Village received cash in advance related to grants and prepaid fees for programs but has not performed the services, and therefore recognizes a liability.

***Modified Marina Redevelopment Project Settlement***—Certain activity represents an outstanding judgment against the Village of Port Chester arising from a condemnation award made regarding the Modified Marina Redevelopment Project. The Village vigorously resisted the claim for the additional compensation, litigating the matter to the New York State Court of Appeals, but was ultimately unsuccessful. The developer is required under contract to indemnify the Village for all acquisition expense and paid the judgment in full, which is presented in miscellaneous revenue and general government support expenditures within the Village’s Special Purpose Fund.

***Retirement Benefits***—Nearly all Village employees are members of various New York State retirement systems. The Village is invoiced annually by the systems for its share of the costs.

***Compensated Absences***—The various collective bargaining agreements provide for the payment of accumulated vacation and sick leave upon separation from service. The liability for such accumulated leave is reflected in the government-wide financial statements as current and long-term liabilities. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement. The liability for compensated absences includes salary related payments, where applicable.

#### ***Other***

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

***Adoption of New Accounting Pronouncements***—During the year ended May 31, 2013, the Village implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Village also elected to early implement the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources, or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statements No. 63 and 65 did not have a material impact on the Village’s financial position or results from operations.

Additionally, during the year ended May 31, 2013, the Village completed the process of evaluating the impact that will result from adopting GASB Statements No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*; No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*. GASB Statement Nos. 57, 60, 62 and 64 did not have a material impact on the Village’s financial position or results from operations.

**Future Impacts of Accounting Pronouncements**—The Village has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 15 and No. 34*, GASB Statement No. 66, *Technical Corrections-2013—an amendment of GASB Statements No. 10 and No. 62*, GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the year ending May 31, 2014; and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for the year ending May 31, 2015. The Village is, therefore, unable to disclose the impact that adopting GASB Statements Nos. 61, 66, 67, 68, 69 and 70 will have on its financial position and results of operations.

## 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Village’s investment policies are governed by State statutes. The Village has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The Village is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The Village has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligation that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school village subdivisions. Cash at year-end consisted of:

	Primary Government	Fiduciary Fund	Total
Petty cash (uncollaterized)	\$ 1,150	\$ -	\$ 1,150
Deposits	<u>9,553,505</u>	<u>1,211,869</u>	<u>10,765,374</u>
Total	<u>\$ 9,554,655</u>	<u>\$ 1,211,869</u>	<u>\$ 10,766,524</u>
Cash and cash equivalents		\$ 5,252,145	
Restricted cash		4,302,510	
Cash held in Agency Fund		<u>1,211,869</u>	
Total		<u>\$ 10,766,524</u>	



**Deposits**—All deposits are carried at fair value, and are classified by custodial credit risk at May 31, 2013 as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
FDIC insured	\$ 1,250,000	\$ 1,250,000
Uninsured:		
Collateral held by pledging bank's agent in the Village's name	<u>9,515,374</u>	<u>9,684,249</u>
Total	<u>\$ 10,765,374</u>	<u>\$ 10,934,249</u>

**Custodial Credit Risk—Deposits**—Custodial credit risk is the risk that in the event of a bank failure, the Village’s deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of May 31, 2013, all uninsured bank deposits were fully collateralized with securities held by the pledging financial institution’s trust department or agent in the Village’s name.

**Restricted Cash**—Restricted cash of \$1,813,835 is reported within the Capital Projects Fund for amounts representing nonoperating cash that has been raised through borrowings. The use of these proceeds is limited to the specific purpose of the issue. Additionally, the Village reports \$1,881,073, \$31,230 and \$576,372 in the General Fund, Special Purpose Fund and Debt Service Fund, respectively, which represent amounts with constraints placed on their use by either external parties and/or statute.

**Investments**—The Village had no investments at May 31, 2013.

**Interest Rate Risk**—In accordance with its investment policy, the Village manages exposures by limiting investments to low risk type investments governed by New York State statute.

**Port Chester Industrial Development Agency**

The Agency’s investment policies are governed by New York State statutes. There were no investments at May 31, 2013. All deposits are carried at fair value.

Cash and cash equivalents:

	<u>May 31, 2013</u>	
	<u>Carrying Amount</u>	<u>Bank Balance</u>
FDIC Insured	<u>\$ 277,549</u>	<u>\$ 277,549</u>

### 3. RECEIVABLES

**Accounts Receivable**—Represents Village Court fees and fines turned over to the Treasurer’s Office and utility taxes and franchise fees for business operation within the Village. Other miscellaneous items are also included. Accounts receivable reported by the Village at May 31, 2013 are:

General Fund:		
Village court	\$ 216,527	
Building department	85,589	
Franchise fees	49,740	
Other	<u>277,783</u>	<u>\$ 629,639</u>
Capital Projects Fund:		
Miscellaneous		<u>\$ 3,277</u>

**Due from Other Governments**—Represents amounts due from other units of government, such as Federal, New York State, County of Westchester, other local governments. Due from other governments reported by the Village at May 31, 2013 are:

General Fund:		
Westchester County:		
Taxes receivable	\$ 1,469,481	
Other	33,648	
Federal:		
Federal Emergency Management Agency	188,415	
Department of Justice	2,465	
New York State:		
Snow and ice	<u>20,829</u>	<u>\$ 1,714,838</u>
Capital Projects Fund:		
New York State:		
Department of Environmental Conservation		<u>\$ 582,328</u>

#### 4. CAPITAL ASSETS

Capital asset activity for the year ended May 31, 2013 was as follows:

	Balance June 1, 2012	Reclassifications and Additions	Deletions	Balance May 31, 2013
Capital assets, not being depreciated:				
Land	\$ 606,100	\$ 298,838	\$ -	\$ 904,938
Construction in progress	<u>2,635,570</u>	<u>1,558,193</u>	<u>2,004,390</u>	<u>2,189,373</u>
Total capital assets, not being depreciated	<u>3,241,670</u>	<u>1,857,031</u>	<u>2,004,390</u>	<u>3,094,311</u>
Capital assets, being depreciated/amortized:				
Land improvements	5,660,571	-	-	5,660,571
Building and improvements	20,035,928	49,197	-	20,085,125
Infrastructure	21,630,801	1,065,971	-	22,696,772
Machinery and equipment	13,670,655	351,255	114,959	13,906,951
Intangible assets	<u>-</u>	<u>312,474</u>	<u>-</u>	<u>312,474</u>
Total capital assets, being depreciated/amortized	<u>60,997,955</u>	<u>1,778,897</u>	<u>114,959</u>	<u>62,661,893</u>
Less accumulated depreciation/amortization for:				
Land improvements	(1,480,794)	(237,621)	-	(1,718,415)
Building and improvements	(3,996,435)	(577,299)	-	(4,573,734)
Infrastructure	(5,000,757)	(915,725)	-	(5,916,482)
Machinery and equipment	(9,986,500)	(744,138)	(114,959)	(10,615,679)
Intangible assets	<u>-</u>	<u>(10,416)</u>	<u>-</u>	<u>(10,416)</u>
Total accumulated depreciation/amortization	<u>(20,464,486)</u>	<u>(2,485,199)</u>	<u>(114,959)</u>	<u>(22,834,726)</u>
Total capital assets being depreciated and amortized, net	<u>40,533,469</u>	<u>(706,302)</u>	<u>-</u>	<u>39,827,167</u>
Governmental activities capital assets, net	<u>\$43,775,139</u>	<u>\$ 1,150,729</u>	<u>\$ 2,004,390</u>	<u>\$ 42,921,478</u>

Depreciation/amortization expense was charged to functions of the governmental activities as follows:

Governmental activities:	
General government support	\$ 422,690
Public safety	677,624
Transportation	858,453
Economic assistance and opportunity	42,775
Culture and recreation	264,223
Home and community service	<u>219,434</u>
Total governmental activities depreciation/amortization expense	<u>\$ 2,485,199</u>

During the year ended May 31, 2013, the Village of Port Chester Assessor and Tax Office identified the need for new property tax assessment and mapping software to develop their Comprehensive Plan. The Village developed a mapping software, with the assistance of contracted third party specialists, and it has been included in capital assets as an intangible asset. The software was recorded at \$312,474 and will be amortized over ten years.

**5. ACCRUED LIABILITIES**

Accrued liabilities reported by governmental funds at May 31, 2013 were as follows:

	General Fund
Salary and employee benefits	\$ 418,245
Total	<u>\$ 418,245</u>

**6. PENSION PLANS**

**Plan Description**—The Village participates in the New York and Local Employees’ Retirement System (“ERS”) and the New York State and Local Police and Fire Retirement System (“PFRS”). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (“NYSRSSL”). As set forth in the NYSRSSL, the Comptroller of the State of New York (“Comptroller”) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for custody and control of their funds. The Systems issue 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, 110 State Street, Albany, NY 12244.

**Funding Policy**—The Systems are 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 for the first ten years of membership, and employees who joined on or after January 10, 2010 (ERS) or January 9, 2010 (PFRS) who generally contribute 3% of their salary for their entire length of service. Those joining after April 1, 2012 (Tier 6) are required to contribute three and one-half percent (3.5%) of their annual salary until March 31, 2013, after which the contribution percentage will be based on annual salary. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the New York State Local Retirement Systems fiscal year ending March 31.

The Village is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	ERS	PFRS
2013	\$ 947,949	\$ 2,224,525
2012	695,379	1,545,170
2011	633,122	1,302,688

The Village contributions made to the System were equal to 100 percent of the contributions required for each year.

## 7. OTHER POST-EMPLOYMENT BENEFIT (“OPEB”) OBLIGATIONS

**Plan Description**—In addition to providing pension benefits, the Village provides health insurance coverage and/or payment for fractional values of unused sick leave to eligible retired employees. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the Village may vary according to length of service. The cost of providing post-employment benefits is shared between the Village and the retired employee. Substantially all of the Village’s employees may become eligible for these benefits if they reach normal retirement age while working for the Village. The cost of retiree health care benefits is recognized as an expenditure/payable as claims are paid. There were 127 retirees receiving health care benefits at May 31, 2013.

**Funding Policy**—The employer’s funding policy is to contribute the current annual premium (net of employee contributions) for all retired participants (i.e., pay-as-you-go). Current New York State law prohibits municipalities from pre-funding retiree medical benefit obligations in a Trust.

The Village’s annual OPEB cost is calculated based on the annual required contributions (“ARC”) of the employer, an amount actuarially determined in accordance with the parameters of GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed thirty years.

The table presented below shows the components of the Village’s annual OPEB cost for the past two years, the amount actually contributed to the plan, and the changes in the Village’s net OPEB obligation.

	<u>Year Ended May 31,</u>	
	<u>2013</u>	<u>2012</u>
Annual required contribution ("ARC")	\$ 5,140,000	\$ 4,935,000
Interest on net OPEB obligation	460,000	320,000
Adjustment to ARC	<u>(600,000)</u>	<u>(415,000)</u>
Annual OPEB cost (expense)	5,000,000	4,840,000
Contributions made	<u>(1,830,000)</u>	<u>(1,760,000)</u>
Increase in net OPEB obligation	3,170,000	3,080,000
Net OPEB obligation - beginning	<u>10,180,000</u>	<u>7,100,000</u>
Net OPEB obligation - ending	<u>\$ 13,350,000</u>	<u>\$ 10,180,000</u>

As of June 1, 2012, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial liability for benefits was \$60,390,000.

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

**Funding Status and Funding Progress**—As of May 31, 2013, the Village has had three actuarial valuations performed. Accordingly, information from the studies is presented in the Village’s Schedule of Funding Progress and the Schedule of Contributions below.

Actuarial Valuation Date	Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL to Budget Covered Payroll
As of June 1, 2012	5/31/2013	\$ -	\$60,390,000	\$60,390,000	0%	\$15,480,000	390%
As of June 1, 2011	5/31/2012	-	55,870,000	55,870,000	0%	15,140,000	369%
As of June 1, 2010	5/31/2011	-	53,920,000	53,920,000	0%	15,560,000	347%

The Village’s Schedule of Contributions is shown below:

Year Ended May 31,	Annual Required Contribution	Contributions Made	Percentage Contributed
2013	\$ 5,140,000	\$ 1,830,000	37%
2012	4,935,000	1,760,000	36%
2011	4,720,000	1,600,000	34%

**Actuarial Methods and Assumptions**—Calculations are based on the types of benefits provided under the terms of the substantive plan, the plan as understood by the employer and the plan members, at the time of the valuation and on the pattern of cost sharing between the employee and plan members. The projection of benefits does not incorporate the potential effect of a change in the pattern of cost sharing between the employer and plan members in the future. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the June 1, 2012 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a valuation date of June 1, 2012 and measurement date of May 31, 2013. The expected investment rate of return on employer’s assets is 4.5%. The rate is based on the projected long-term earning rate of the assets expected to be available to pay benefits. Since the Village does not currently segregate funding for these benefits, the appropriate rate is the expected return on the employer’s assets. The expected inflation rate is 3.0%. The RP-2000 Mortality Table for males and females is used for mortality rates. The rates of decrement due to disability are assumed to be zero. The assumed rates of increase in health care vary from 5.0% to 9.5% and the administrative fees are assumed to increase at 3.0% per year. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar open basis, therefore the remaining amortization period at May 31, 2013 was twenty-five years.

## 8. RISK MANAGEMENT

The Village is exposed to various risks of loss related to damage and destruction of assets, vehicle liability, injuries to employees, health insurance and unemployment insurance. Certain risks are covered by commercial insurance purchased from independent third parties. There have not been any significant changes in any type of insurance coverage from the prior year, nor have there been any settlements which have exceeded insurance coverage in the past three fiscal years.

**Judgments and Claims**—The government-wide financial statements reflect the liability for workers' compensation and general liability claims. These amounts are based upon estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported, but not settled, and of claims that have been incurred but not reported ("IBNR"). The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques. The variety of techniques produces current estimates that reflect recent settlements, claims frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claims is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and other factors that are considered to be appropriate modifiers of past experience.

An analysis of the activity of unpaid claims liabilities for the past two years is as follows:

	Workers' Compensation	General Liability	Total Judgments and Claims
Balance at June 1, 2012	\$ 1,531,993	\$ 305,926	\$ 1,837,919
Provision for claims and claims adjustments expenses	1,632,335	(78,229)	1,554,106
Claims and claims adjustment expenses paid	<u>(1,946,636)</u>	<u>(38,341)</u>	<u>(1,984,977)</u>
Balance at May 31, 2013	<u>\$ 1,217,692</u>	<u>\$ 189,356</u>	<u>\$ 1,407,048</u>
			Total
	Workers' Compensation	General Liability	Judgments and Claims
Balance at June 1, 2011	\$ 1,602,950	\$ 314,449	\$ 1,917,399
Provision for claims and claims adjustments expenses	1,541,933	197,674	1,739,607
Claims and claims adjustment expenses paid	<u>(1,612,890)</u>	<u>(206,197)</u>	<u>(1,819,087)</u>
Balance at May 31, 2012	<u>\$ 1,531,993</u>	<u>\$ 305,926</u>	<u>\$ 1,837,919</u>

## 9. SHORT-TERM DEBT

Liabilities for bond anticipation notes ("BANs") are generally accounted for in the Capital Projects Fund. State law requires that BANs issued for capital purposes be converted to long-term obligations within seven years after the original issue date.

The following is a summary of the Village’s short-term debt for the year ended May 31, 2013:

Description	Interest Rate	Maturity Date	Balance 6/1/2012	Issued	Paid	Balance 5/31/2013
Bond anticipation notes	0.54%	2/27/2013	\$ 1,600,000	\$ -	\$ 1,600,000	\$ -
Bond anticipation notes	0.67%	2/26/2014	-	1,200,000	-	1,200,000
			<u>\$ 1,600,000</u>	<u>\$ 1,200,000</u>	<u>\$ 1,600,000</u>	<u>\$ 1,200,000</u>

## 10. LONG-TERM DEBT

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

The Village’s outstanding long-term liabilities include bonds payable, compensated absences, other post-employment benefit (“OPEB”) obligations, and judgments and claims. The bonds payable of the Village are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the Village’s long-term debt at May 31, 2013 follows:

	Balance Outstanding 6/1/2012	Additions	Deletions	Balance Outstanding 5/31/2013	Current Portion
Bonds payable	\$ 34,335,000	\$ -	\$ 2,340,000	\$ 31,995,000	\$ 2,430,000
Compensated absences	4,369,045	1,405,433	1,465,193	4,309,285	215,464
OPEB	10,180,000	5,000,000	1,830,000	13,350,000	-
Judgments and claims	1,837,919	1,554,106	1,984,977	1,407,048	70,352
Total	<u>\$ 50,721,964</u>	<u>\$ 7,959,539</u>	<u>\$ 7,620,170</u>	<u>\$ 51,061,333</u>	<u>\$ 2,715,816</u>

**Serial Bonds**—The Village borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are included in the government-wide statements. The provision to be made in future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

Principal is paid annually, interest is paid semi-annually and is recorded in the General Fund. A summary of additions and payments of bonds payable for the year ended May 31, 2013 is shown in the table on the following page.



	Interest Rate	Year of Issue/ Maturity	Balance 6/1/2012	Additions	Payments	Balance 5/31/2013
General Fund:						
Serial Bond Issue	4.10%	2002-2022	\$ 345,000	\$ -	\$ 345,000	\$ -
Serial Bond Issue	4.02%	2003-2024	330,000	-	160,000	170,000
Serial Bond Issue	5.70%	2003-2024	280,000	-	135,000	145,000
Serial Bond Issue	3.83%	2004-2021	2,595,000	-	215,000	2,380,000
Serial Bond Issue	3.96%	2005-2025	4,135,000	-	220,000	3,915,000
Serial Bond Issue	4.00%	2006-2026	2,605,000	-	125,000	2,480,000
Serial Bond Issue	3.75%	2007-2024	5,505,000	-	325,000	5,180,000
Serial Bond Issue	4.25%	2008-2028	2,160,000	-	100,000	2,060,000
Brody Settled Claim	2.50%	2009-2015	300,000	-	100,000	200,000
Serial Bond Issue	3.49%	2009-2026	3,560,000	-	200,000	3,360,000
Refunding Bond Issue	3.00%	2011-2021	3,140,000	-	315,000	2,825,000
Refunding Bond Issue	2.00-3.00%	2012-2025	6,975,000	-	60,000	6,915,000
Refunding Bond Issue	2.00-3.30%	2012-2025	2,405,000	-	40,000	2,365,000
			<u>\$ 34,335,000</u>	<u>\$ -</u>	<u>\$ 2,340,000</u>	<u>\$ 31,995,000</u>

**Compensated Absences**—As explained in Note 1, the Village records the value of compensated absences. Pursuant to collective bargaining agreements, civil service employees are entitled to be compensated for accumulated sick leave. Police employees do not receive compensation for accumulated sick leave. Vacation days may be accumulated at the discretion of the Village Manager. A non-current liability totaling \$4,309,285 has been recorded, of which management estimates that \$215,464 is due within one year. Since the payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable.

**OPEB**—As explained in Note 7, the Village’s OPEB obligation represents amortization of post-employment health benefits.

**Judgments and Claims**—As explained in Note 8, the government-wide financial statements reflect the liability for workers’ compensation and general liability claims.

Annual principal requirements to amortize all debt outstanding as of May 31, 2013 are:

Year ending May 31,	Serial Bonds	Compensated Absences	OPEB	Judgments and Claims	Total
2014	\$ 2,430,000	\$ 215,464	\$ -	\$ 70,352	\$ 2,715,816
2015	2,510,000	-	-	-	2,510,000
2016	2,500,000	-	-	-	2,500,000
2017	2,580,000	-	-	-	2,580,000
2018	2,675,000	-	-	-	2,675,000
2019-2023	13,560,000	-	-	-	13,560,000
2024-2028	5,740,000	-	-	-	5,740,000
Beyond	-	4,093,821	13,350,000	1,336,696	18,780,517
Total	<u>\$ 31,995,000</u>	<u>\$ 4,309,285</u>	<u>\$ 13,350,000</u>	<u>\$ 1,407,048</u>	<u>\$ 51,061,333</u>

## 11. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net Investment in Capital Assets**—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Capital assets, net of accumulated depreciation		\$42,921,478
Related debt:		
Serial bonds:		
Total serial bonds issued for capital assets	\$(28,905,400)	
Total bond anticipation notes issued for capital assets	(1,200,000)	
Unspent debt proceeds restricted for capital projects	<u>1,288,021</u>	<u>(28,817,379)</u>
Net investment in capital assets		<u>\$14,104,099</u>

- **Restricted Net Position**—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Workers' compensation payments	\$ 1,766,591
Liability claims	114,482
Special Purpose Fund	31,230
Debt Service Fund	<u>578,827</u>
Total	<u>\$ 2,491,130</u>

- **Unrestricted Net Position**—This category represents net position of the Village not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the Village at May 31, 2013 includes:

- **Prepaid Items**—Represents amounts, \$353,124, prepaid to the New York State Retirement Systems and the Village's workers' compensation administrator that are applicable to future accounting periods.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation.

Restrictions of the Village at May 31, 2013 include:

Restricted for:

Workers' compensation payments	\$ 1,766,591
Liability claims	114,482
Special Purpose Fund	31,230
Capital Projects Fund	536,886
Debt Service Fund	<u>578,827</u>
Total	<u>\$ 3,028,016</u>

- **Workers' Compensation Payments**—Represents funds provided, pursuant to General Municipal Law, to fund the Village's payments for its self-insured workers' compensation program.
- **Liability Claims**—Represents reserve established in accordance with section 6-n of the General Municipal Law and will be used to pay claims, actions or judgments against the Village that results from personal injuries or property damage.
- **Special Purpose Fund**—Represents amounts that report the difference between assets and liabilities of the certain programs with constraints placed on their use by either external parties and/or statute.
- **Capital Projects Fund**—Represents funds that have been reserved to fund future capital projects.
- **Debt Service Fund**—Represents amounts within Debt Service Fund set aside for future payments on the Village's indebtedness.

Commitments are amounts that are subject to a purpose constraint imposed by a formal action of the Village's highest level of decision-making authority. As of May 31, 2013, the Village reported the following commitment:

- **Committed for Debt Service**—Represents amounts (\$268,462) within the General Fund set aside for future payments on the Village's indebtedness.
- **Committed for Encumbrances**—Represents amounts (\$165,818) in the General Fund which have been committed through purchase orders or contracts. The Village considers encumbrances to be significant for amounts that are encumbered in excess of \$100,000. The Village reported no significant encumbrances in the General Fund at May 31, 2013.

The Village Board authorizes the Village Manager to make a determination of the assigned amounts of fund balance. Assigned funds represent amounts intended to be used for a specific purpose. For example the amount appropriated to reduce the tax levy as determined through the budget process and finalized when the tax rates are established would be considered assigned fund balance. In the fund financial statements, assignments by the Village at May 31, 2013 include:

- **Assigned for Subsequent Year's Expenditures**—Represents funds (\$800,000) to be used to assist in supporting the subsequent year's authorized appropriations.

If the Village must use funds for emergency expenditures the Village Board shall authorize the Village Manager to expend funds first from funds classified as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available the Village will use unassigned fund balance.

## 12. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short term in nature and exist because of temporary advances of payments made on behalf of other funds. The composition of interfund balances as of May 31, 2013 is as follows:

	<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>
Governmental funds:		
General Fund	\$ 22,808	\$ -
Capital Projects Fund	30,000	2,455
Debt Service Fund	2,455	-
Fiduciary funds:		
Agency Fund	-	52,808
Total	<u>\$ 55,263</u>	<u>\$ 55,263</u>

The outstanding balances between funds result from payments made on behalf of other funds or temporary advances. All of these balances are expected to be collected/paid within the subsequent year.

The Village made the following transfers during the year ended May 31, 2013:

	<u>Transfers out:</u>			<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	
Transfers in:				
General Fund	\$ -	\$ 6,005	\$ 200,000	\$ 206,005
Capital Projects Fund	467,360	-	-	467,360
Debt Service Fund	-	189,059	-	189,059
	<u>\$ 467,360</u>	<u>\$ 195,064</u>	<u>\$ 200,000</u>	<u>\$ 862,424</u>

Transfers are used primarily to move funds from the Debt Service Fund to the General Fund for the payment on the Village's bonded debt. Additionally, transfers move amounts earmarked in the operating funds to fulfill commitments for Capital Projects and General Funds' expenditures.

### 13. AGENCY FUND

An agency fund exists for employee withholding and temporary deposit funds. The following is a summary of changes in assets and liabilities during the year ended May 31, 2013:

	Balance 6/1/2012	Additions	Deletions	Balance 5/31/2013
<b>ASSETS</b>				
Cash	\$ 1,247,533	\$ 17,587,493	\$ 17,623,157	\$ 1,211,869
Total assets	<u>\$ 1,247,533</u>	<u>\$ 17,587,493</u>	<u>\$ 17,623,157</u>	<u>\$ 1,211,869</u>
<b>LIABILITIES</b>				
Temporary withholdings liabilities	\$ 1,214,737	\$ 18,163,798	\$ 18,219,474	\$ 1,159,061
Accounts payable	-	5,193,314	5,193,314	-
Due to other funds	32,796	16,721,483	16,701,471	52,808
Total liabilities	<u>\$ 1,247,533</u>	<u>\$ 40,078,595</u>	<u>\$ 40,114,259</u>	<u>\$ 1,211,869</u>

### 14. LABOR RELATIONS

Village employees are represented by four bargaining units with the balance governed by Village Board rules and regulations. The Port Chester Police Association has a contract settled through May 31, 2013 and the CSEA Civil Service agreement expires on May 31, 2015. The Port Chester Professional Fire Fighters Association has an unsettled contract and is in negotiations as of May 31, 2013.

### 15. CONTINGENCIES

The Village receives numerous notices of claims for damages occurring generally from false arrest, negligence, bodily injury, breach of contract, defamation of character and invasion of privacy. The filing of such claims commences a statutory period for initiating judicial action. There are currently numerous actions of this type pending against the Village. It is the opinion of the counsel that an adverse decision in any of the claims would not significantly impair the Village's financial condition. Additionally, the Village is subject to various tax certiorari matters.

The Village receives significant financial assistance from numerous Federal and State governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions that are specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed expenditures resulting from such audits could become a liability of the Village. The amount, if any, of the expenditures which may be disallowed cannot be determined at this time, although the Village expects such amounts to be immaterial to the Village's financial statements.

## 16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 27, 2013, which is the date the financial statements are available for issuance, and have determined, except as described below, there are no subsequent events that require disclosure under generally accepted accounting principles.

On August 27, 2013, the Village of Port Chester issued \$3,415,000 of bond anticipation notes with a net interest rate of 0.43 percent. These notes mature on February 26, 2014.

\* \* \* \* \*

COMBINING FUND  
FINANCIAL STATEMENTS





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**VILLAGE OF PORT CHESTER, NEW YORK**  
**Combining Balance Sheet—Nonmajor Governmental Funds**  
**May 31, 2013**

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	<u>Special Purpose Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>			
Restricted cash	\$ 31,230	\$ 576,372	\$ 607,602
Due from other funds	-	2,455	2,455
Total assets	<u>\$ 31,230</u>	<u>\$ 578,827</u>	<u>\$ 610,057</u>
<b>FUND BALANCES</b>			
Restricted	\$ 31,230	\$ 578,827	\$ 610,057
Total fund balances	<u>\$ 31,230</u>	<u>\$ 578,827</u>	<u>\$ 610,057</u>

**VILLAGE OF PORT CHESTER, NEW YORK**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—**  
**Nonmajor Governmental Funds**  
**Year Ended May 31, 2013**

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	<b>Special Purpose Fund</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Governmental Funds</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Use of money and property	\$ -	\$ 2,788	\$ 2,788
Miscellaneous	<u>3,374,224</u>	<u>22,088</u>	<u>3,396,312</u>
Total revenues	<u>3,374,224</u>	<u>24,876</u>	<u>3,399,100</u>
<b>EXPENDITURES</b>			
Current:			
General government support	<u>3,413,066</u>	-	<u>3,413,066</u>
Total expenditures	<u>3,413,066</u>	-	<u>3,413,066</u>
Excess (deficiency) of revenues over expenditures	<u>(38,842)</u>	<u>24,876</u>	<u>(13,966)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	189,059	189,059
Transfers out	-	<u>(200,000)</u>	<u>(200,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>(10,941)</u>	<u>(10,941)</u>
Net change in fund balances	(38,842)	13,935	(24,907)
Fund balances—beginning	<u>70,072</u>	<u>564,892</u>	<u>634,964</u>
Fund balances—ending	<u>\$ 31,230</u>	<u>\$ 578,827</u>	<u>\$ 610,057</u>

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# FEDERAL AWARDS



**VILLAGE OF PORT CHESTER, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended May 31, 2013**

<b>Federal Grantor/Pass-through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Housing and Urban Development:</b>		
Passed through Westchester County:		
Community Development Block Grant/Entitlement Grants	14.218	\$ 59,121
Direct programs:		
Community Development Block Grants		
Economic Development Initiative	14.246	<u>58,711</u>
Total U.S. Department of Housing and Urban Development		<u>117,832</u>
<b>U.S. Department of Justice—Bureau of Justice Assistance:</b>		
Direct programs:		
Bulletproof Vest Partnership Program	16.607	16,145
Recovery Act - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	16.810	<u>2,465</u>
Total U.S. Department of Justice—Bureau of Justice Assistance		<u>18,610</u>
<b>U.S. Department of Health and Human Services:</b>		
Passed through Westchester County:		
Special Programs for the Aging—Title III, Part B— Grants for Supportive Services and Senior Centers	93.044	77,769
Special Programs for the Aging—Title III, Part C— Nutrition Services	93.045	<u>15,224</u>
Total U.S. Department of Health and Human Services		<u>92,993</u>
<b>U.S. Department of Homeland Security:</b>		
Passed through NYSOEM:		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	<u>560,446</u>
Total U.S. Department of Homeland Security		<u>560,446</u>
Total Expenditures of Federal Awards		<u><u>\$ 789,881</u></u>

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**VILLAGE OF PORT CHESTER, NEW YORK**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended May 31, 2013**

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**1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Village of Port Chester, New York (the “Village”) and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**2. BASIS OF ACCOUNTING**

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable program and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the Village’s financial reporting system.

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Certified Public Accountants

**INDEPENDENT AUDITORS' 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**

Honorable Mayor and Village Trustees  
Village of Port Chester, 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 governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Port Chester, New York (the "Village"), as of and for the year ended May 31, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated September 27, 2013 (August 8, 2013 as to the Village of Port Chester Industrial Development Agency).

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Village'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 Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village'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 entity'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 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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2013-1, that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village'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*.

## **The Village's Response to Findings**

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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.

 Duesch & Malch LLP

September 27, 2013

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Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

Honorable Mayor and Village Trustees  
Village of Port Chester, New York

**Report on Compliance for Each Major Federal Program**

We have audited the Village of Port Chester, New York's (the "Village") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Village's major federal programs for the year ended May 31, 2013. The Village's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Village's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Village's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Village complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2013.

## Report on Internal Control Over Compliance

Management of the Village is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Village's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

 Duesch & Malach LLP

September 27, 2013

**VILLAGE OF PORT CHESTER, NEW YORK**  
**Schedule of Findings and Questioned Costs**  
**Year Ended May 31, 2013**

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**Part I. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements:**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- |   |             |                     |
|---|-------------|---------------------|
| 1. Material weakness(es) identified?  | _____ Yes   | ✓ _____ No          |
| 2. Significant deficiency(ies) identified not considered to be material weakness(es)? | ✓ _____ Yes | _____ None reported |
| 3. Noncompliance material to financial statements noted?                              | _____ Yes   | ✓ _____ No          |

**Federal Awards:**

Internal control over major programs:

- |   |           |                       |
|---|-----------|-----------------------|
| 4. Material weakness(es) identified?  | _____ Yes | ✓ _____ No            |
| 5. Significant deficiency(ies) identified not considered to be material weakness(es)? | _____ Yes | ✓ _____ None reported |

Type of auditors' report issued on compliance for major programs: Unmodified

- |   |           |            |
|---|-----------|------------|
| 6. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))? | _____ Yes | ✓ _____ No |
|---|-----------|------------|

7. The Village's major program was:

- | <b>Name of Federal Program</b>  | <b>CFDA Number</b>        |
|---|---------------------------|
| Disaster Grants - Public Assistance (Presidentially Declared Disasters)     | 97.036                    |
| 8. Dollar threshold used to distinguish between Type A and Type B programs? | \$ <u>300,000</u>         |
| 9. Auditee qualified as low-risk auditee?                                   | _____ Yes      ✓ _____ No |

## **Part II. FINANCIAL STATEMENT FINDINGS SECTION**

*We consider the deficiency presented below to be a significant deficiency in internal control.*

### **Finding 2013-1—Capital Projects Deficit**

*Criteria* – Appropriate maintenance and review of individual capital projects and fund balances is necessary to produce a reliable and accurate presentation of the Village’s financial condition relating to its Capital Projects Fund.

*Condition* – As in the prior year, the Village had capital projects that were in a deficit position. Additionally, there were projects that appeared inactive and had old outstanding purchase orders.

*Effect* – The Village is at risk of inappropriately funding deficit capital projects. Additionally, the existence of inactive projects increases the risk of misstatement of the financial statements and the potential misappropriation of assets.

*Cause* – Capital projects in prior years were not closely monitored and maintained by the Village.

*Recommendation* – It is recommended that during its review procedures the Village monitor their capital projects to ensure that any deficits are remedied through adequate funding. Additionally, the Village’s procedures should appropriately close out inactive or completed projects.

*Management’s Corrective Action Plan* – The Village has aggressively been reviewing its active and inactive capital projects to ensure that projects are being monitored, maintained and closed out on a timely basis. The Village closed out many inactive capital projects during the fiscal year and appropriate amounts were returned to the Debt Service Fund to pay off outstanding debt. The Village is also continuing its discussion of the implementation of a Five (5) Year Capital Plan.



**Part III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION**

No matters were reported.

**VILLAGE OF PORT CHESTER, NEW YORK**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended May 31, 2013**

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No matters related to Federal Awards were reported in the prior year.