

INCORPORATED VILLAGE OF MINEOLA
MINEOLA, NEW YORK

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 2012

INCORPORATED VILLAGE OF MINEOLA
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Trustees
Incorporated Village of Mineola
155 Washington Avenue
Mineola, New York 11501

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Incorporated Village of Mineola, New York, (The "Village") as of and for the year ended May 31, 2012, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

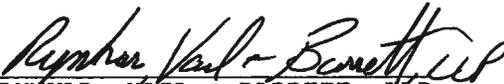
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Incorporated Village of Mineola, New York as of May 31, 2012, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2012, on our consideration of the Incorporated Village of Mineola, New York'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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, budgetary comparison information on pages 48 through 49 and schedule of funding progress for postemployment benefits other than pensions on page 50 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Incorporated Village of Mineola, New York's financial statements as a whole. The Other Supplementary Information, listed on pages 51 through 53, is presented for purposes of additional analysis and is not a required part of the financial statements. The Other Supplementary Information is the responsibility of management and is derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


RYNKAR, VAIL & BARRETT, LLP

Mineola, New York
September 28, 2012

INCORPORATED VILLAGE OF MINEOLA

MINEOLA, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED MAY 31, 2012

Our discussion and analysis of the Incorporated Village of Mineola's financial performance provides an overview and analysis of the Village's financial activities for the fiscal year ended May 31, 2012. The Village's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

Financial Highlights

Total net assets are comprised of the following:

- (1) At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,450,294 which represents 13.0% of total General Fund expenditures and uses for the current year.
- (2) The Water Fund provided revenues in excess of expenditures in the amount of \$111,174, which resulted in a fund balance of \$1,187,424 as of May 31, 2012.
- (3) Governmental Funds fund balances increased approximately \$47,000 during the year ended May 31, 2012. The general fund decreased approximately \$211,000. The water fund increased approximately \$111,000 and the Capital Projects fund balance increased approximately \$110,000. The Capital Projects fund balance will continue to increase as the Bond Anticipation Notes are redeemed from appropriations or refinanced from a future Bond sale.
- (4) Noncurrent Liabilities, exclusive of other postemployment benefits payable, decreased \$2,300,552 during the fiscal year. See Note 11 for details on the other postemployment benefits.

Overview of the Financial Statements

The reporting focus of this report is on the Village as a whole and on its major individual funds. The financial section of this report presents the Village's financial activities and position in four parts. These parts are the management discussion and analysis, the basic financial statements, required supplementary information on major funds with an adopted budget and other supplementary information. The basic financial statements are comprised of the Village-wide financial statements, the fund financial statements and the notes that provide more detailed information to supplement the basic financial statements.

Village-wide Financial Statements

The Village-wide financial statements are designed to provide readers with a broad overview of the Incorporated Village of Mineola's finances, by reporting on the whole Village. The Statement of Net Assets presents information on all of the Incorporated Village of Mineola's assets and liabilities, with the difference between the two reported as net assets.

INCORPORATED VILLAGE OF MINEOLA

MINEOLA, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED MAY 31, 2012

Village-wide Financial Statements (cont'd)

Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Incorporated Village of Mineola is improving or deteriorating. The Statement of Net Assets combines and consolidates the government funds' balance sheet with capital assets and long-term obligations. The Statement of Activities presents information showing how the Village's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. Both the Statement of Net Assets and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis which is used to report on the Village's fund financial statements.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the Village as a whole. The Village establishes funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The Village funds are governmental in nature.

Governmental Funds - The majority of the Village's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short term view of the Village's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the Village-wide statements, readers may better understand the long term effect of the government's near term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is detailed in a reconciliation following each of the fund financial statements. The Incorporated Village of Mineola maintains seven individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for each major fund and the consolidated non-major funds. The Village reports the general, water and capital projects funds as major funds.

INCORPORATED VILLAGE OF MINEOLA

MINEOLA, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED MAY 31, 2012

Reporting the Village's Fiduciary Responsibilities

The Village is the trustee, or fiduciary, for its Fire Service Award Program, as well as certain amounts held on behalf of others. All of the Village's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. The activities of these funds are excluded from the Village-wide financial statements because the Village cannot use these assets to finance its operations. The Village is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Financial Analysis of the Village as a Whole

Our analysis below focuses on the net assets and changes in net assets of the Incorporated Village of Mineola's governmental activities:

Condensed Summary of Net Assets
Governmental Activities
As of May 31, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|--|----------------------|----------------------|
| Current and Other Assets | \$ 6,939,181 | \$ 7,201,630 |
| Capital Assets | 27,080,517 | 27,670,662 |
| <u>Total Assets</u> | <u>\$ 34,019,698</u> | <u>\$ 34,872,292</u> |
| Long-Term Liabilities | \$ 26,493,172 | \$ 26,215,850 |
| Other Liabilities | 4,025,498 | 4,659,378 |
| <u>Total Liabilities</u> | <u>\$ 30,518,670</u> | <u>\$ 30,875,228</u> |
| <u>Net Assets:</u> | | |
| Invested in Capital Assets, Net of Related Debt | \$ 11,611,563 | \$ 10,629,050 |
| Restricted | 903 | 9,614 |
| Unrestricted (Deficit) | (8,111,438) | (6,641,600) |
| <u>Total Net Assets</u> | <u>\$ 3,501,028</u> | <u>\$ 3,997,064</u> |

Total assets decreased \$852,594 and total liabilities decreased \$356,558 from the prior year, which results in a \$496,036 decrease in net assets.

INCORPORATED VILLAGE OF MINEOLA

MINEOLA, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED MAY 31, 2012

Financial Analysis of the Village as a Whole (cont'd)

Summary of Changes in Net Assets

Governmental Activities
For the Year Ended May 31,
2012 and 2011

| | <u>May 31, 2012</u> | <u>% of Totals</u> | <u>May 31, 2011</u> | <u>% of Totals</u> |
|---|----------------------|--------------------|----------------------|--------------------|
| <u>Revenues:</u> | | | | |
| <u>Program Revenues</u> | | | | |
| Charge for Services | \$ 5,754,637 | 27.2% | \$ 6,103,839 | 29.0% |
| Operating Grants and Contributions | 102,132 | .5% | 70,495 | .3% |
| Capital Grants and Contributions | 761,749 | 3.6% | 564,291 | 2.7% |
| <u>General Revenues</u> | | | | |
| Real Property Taxes | 12,794,477 | 60.5% | 12,516,908 | 59.5% |
| Other Tax Items | 53,367 | .3% | 58,000 | .3% |
| Non-Property Tax Items | 894,303 | 4.2% | 906,887 | 4.3% |
| Investment Earnings | 249,118 | 1.2% | 259,980 | 1.3% |
| State Aid | 525,392 | 2.5% | 546,241 | 2.6% |
| <u>Total Revenues and Special Items</u> | <u>\$ 21,135,175</u> | <u>100.0%</u> | <u>\$ 21,026,641</u> | <u>100.0%</u> |
| <u>Expenses</u> | | | | |
| General Government Support | \$ 5,327,722 | 24.6% | \$ 4,769,742 | 22.7% |
| Public Safety | 1,918,186 | 8.9% | 1,728,710 | 8.2% |
| Health | 88,527 | .4% | 87,793 | .4% |
| Transportation | 3,752,997 | 17.3% | 3,612,131 | 17.2% |
| Economic Assistance and Opportunity | 14,412 | .1% | 64,412 | .3% |
| Culture and Recreation | 3,670,819 | 17.0% | 3,566,560 | 17.0% |
| Home and Community Services | 6,055,187 | 28.0% | 6,269,258 | 30.0% |
| Interest on Long-Term Debt | 803,361 | 3.7% | 885,802 | 4.2% |
| <u>Total Expenses</u> | <u>\$ 21,631,211</u> | <u>100.0%</u> | <u>\$ 20,984,408</u> | <u>100.0%</u> |
| Increase (Decrease) in Net Assets | \$ (496,036) | | \$ 42,233 | |
| Beginning Net Assets | <u>3,997,064</u> | | <u>3,954,831</u> | |
| Ending Net Assets | <u>\$ 3,501,028</u> | | <u>\$ 3,997,064</u> | |

INCORPORATED VILLAGE OF MINEOLA

MINEOLA, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

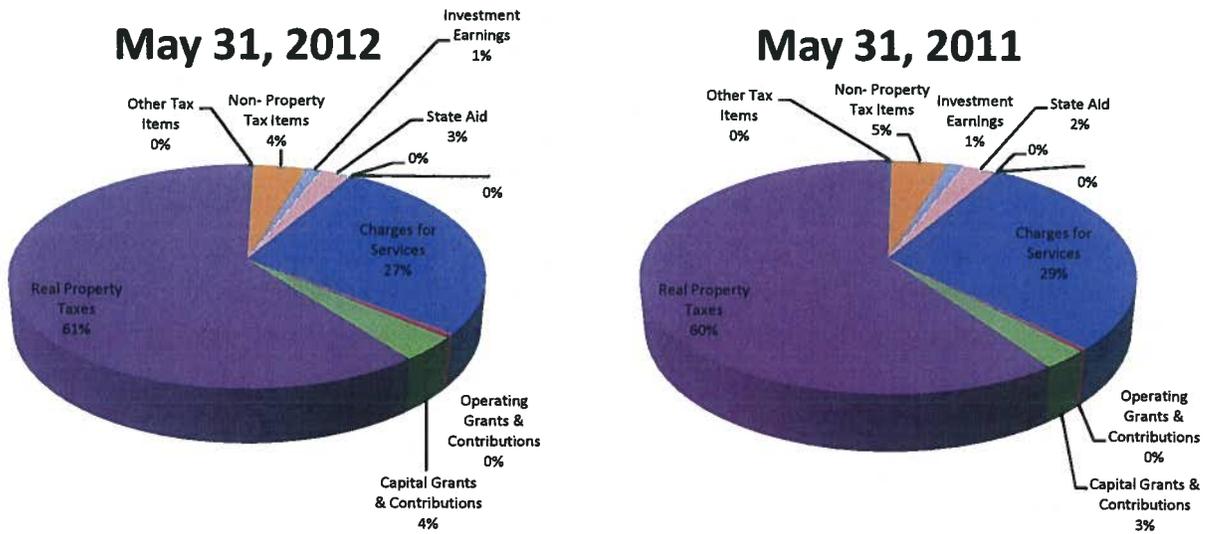
FOR THE FISCAL YEAR ENDED MAY 31, 2012

Financial Analysis of the Village as a Whole (cont'd)

As indicated above, the Village is reliant on charges for services and real property taxes to support governmental operations.

Furthermore, the above shows that total governmental activities cost \$21,631,211 for the fiscal year ended May 31, 2012. The most significant governmental expenses for the Village was to provide home and community services, and general government support. These expenses were offset by revenues collected from a variety of sources. The major components of home and community services are water, sanitation and sewer services. The major components of general government support are the clerk's, the treasurer's, and the Village Justice's offices, payments on settled tax certioraris and unallocated insurance.

A graphic display of the distribution of revenues for the two years follows:



INCORPORATED VILLAGE OF MINEOLA

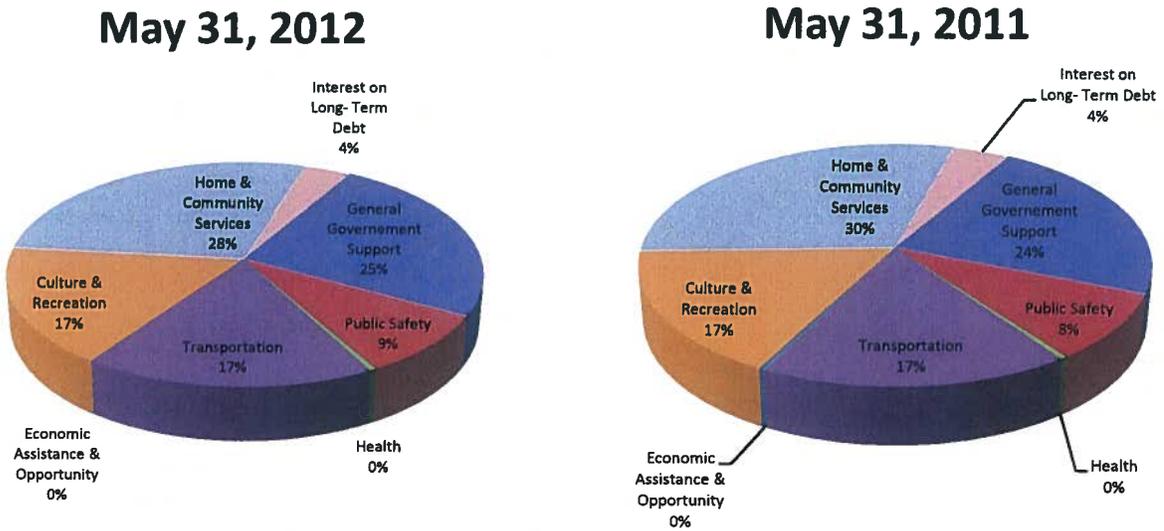
MINEOLA, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED MAY 31, 2012

Financial Analysis of the Village as a Whole (cont'd)

A graphic display of the distribution of expenditures for the two years follows:



Financial Analysis of the Village's Funds

Governmental Funds

As previously discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$3,481,253, of which \$2,101,297 is unassigned, indicating availability for continuing Village operating purposes.

The total ending fund balances of governmental funds show an increase of \$47,237 from the prior year. This increase is primarily the result of total expenditures less than budgeted appropriations.

INCORPORATED VILLAGE OF MINEOLA

MINEOLA, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED MAY 31, 2012

General Fund Budgetary Highlights

For the 2011/2012 fiscal year, total charges to appropriations on a budgetary basis were \$18,847,302 compared to the budgeted amount of \$18,636,560.

On a budgetary basis, the Village has an actual General Fund fund balance of \$2,450,294 as of the fiscal year ended, compared to the budgeted fund balance of \$2,661,036. The variance from budgeted fund balance of \$210,742 is primarily due to an increase of \$210,742 in actual expenditures from appropriations.

Capital Asset and Debt Administration

Capital Assets

The Village's investment in capital assets, net of accumulated depreciation, for governmental activities as of May 31, 2012 was \$27,080,517. See Note 6 for additional information about changes in capital assets during the fiscal year.

Capital Assets
Net of Accumulated Depreciation

| | <u>Governmental Activities</u> | |
|-----------------------------------|--------------------------------|----------------------|
| | <u>May 31, 2012</u> | <u>May 31, 2011</u> |
| <u>Non-Depreciable Assets:</u> | | |
| Land | \$ 390,000 | \$ 390,000 |
| Construction in Progress | 151,880 | 456,892 |
| <u>Depreciable Assets:</u> | | |
| Infrastructure and Improvements | 16,584,827 | 17,119,641 |
| Improvements other than Buildings | 583,867 | 705,506 |
| Buildings | 7,267,494 | 6,665,785 |
| Vehicles, Machinery & Equipment | 2,102,449 | 2,332,838 |
| | <u>2,102,449</u> | <u>2,332,838</u> |
| <u>Total</u> | <u>\$ 27,080,517</u> | <u>\$ 27,670,662</u> |

Long-Term Debt

At the end of the fiscal year, the Village had total bonded debt outstanding in the amount of \$18,429,408, a decrease of \$1,783,794 from the fiscal year ended May 31, 2011. This amount is bonded by the full faith and credit of the Incorporated Village of Mineola, New York.

See Note 7 for additional information about the Village's long-term debt.

INCORPORATED VILLAGE OF MINEOLA

MINEOLA, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED MAY 31, 2012

Capital Asset and Debt Administration (cont'd)

Long-Term Debt (cont'd)

On June 14, 2012 the Village sold \$11,185,000 refunding serial bonds. Prior to the refunding Moody's reaffirmed the Village's Aa3 bond rating. See Note 17 for additional information.

Economic Factors and Next Year's Budgets

The Incorporated Village of Mineola is not immune and has been affected by the global, United States, New York State and New York City Metropolitan area economic slowdown. Revenues from mortgage recording tax, building permits and interest earnings are less than budgeted or planned. Unemployment rates in the United States and local economy has increased and Village residents are also included in the increased unemployment statistics.

The Village's employees are participants in the New York State Employees' Retirement System (ERS) which provides retirees a defined benefit. The ERS's plan assets decreased due to investment losses in worldwide financial markets. This shortfall will result in increased pension contributions to the ERS in subsequent fiscal years.

For the fiscal year ended May 31, 2013, the Village adopted a general fund budget that has \$18,863,778 of appropriations which is approximately \$371,000 greater than this year's general fund budget. The real estate tax levy for the fiscal year ended May 31, 2013 is \$13,132,158 which is approximately \$244,000 (2%) greater than this current year.

The appropriation budget adopted for the water fund for the fiscal year ended May 31, 2013 is approximately \$184,000 (7.6%) greater than the current year's water budget appropriations. The increase in appropriations includes increases of approximately \$125,000 in home and community services, \$100,000 in transfer to general fund, \$38,000 in employee benefits and a decrease in debt service of \$2,400.

New York State approved legislation that will limit the increase in the property tax levy of all governments, including Villages to the lesser of 2% or the rate of inflation effective for the 2012-13 fiscal year. The laws do allow for certain statutory adjustments to this cap and it will remain in effect until at least the 2015-16 fiscal year. The Village's annual tax levy may exceed the cap if at least 60% of the Village board approves such increase.

Contacting the Village's Financial Management

This financial report is designed to provide the citizens, taxpayers, customers, investors and creditors a general overview of the Village's finances and to show the Village's commitment to public accountability. If you have questions about the report or would like to request additional information, contact the Village Clerk at the Incorporated Village of Mineola, 155 Washington Avenue, Mineola, New York 11501.

INCORPORATED VILLAGE OF MINEOLA

STATEMENT OF NET ASSETS

AS OF MAY 31, 2012

| <u>ASSETS</u> | <u>Government Activities</u> |
|--|------------------------------|
| Cash and Cash Equivalents | \$ 3,449,959 |
| Tax Sale Certificates Receivable (Net of \$973,845 allowance) | -0- |
| Water Rents Receivable | 749,589 |
| Accounts Receivable | 471,950 |
| Due from Fiduciary Fund | 160,258 |
| Due from Other Governments | 478,702 |
| Inventory - Books, Periodicals, etc. | 1,584,384 |
| Deferred Bond Costs | 44,339 |
| Noncurrent Assets: | |
| Capital Assets | |
| Non-Depreciable Capital Assets | \$ 541,880 |
| Depreciable Capital Assets, net | <u>26,538,637</u> |
| | <u>27,080,517</u> |
| <u>TOTAL ASSETS</u> | <u>\$ 34,019,698</u> |
| <u>LIABILITIES</u> | |
| Accounts Payable | \$ 450,119 |
| Accrued Liabilities | 209,125 |
| Retained Percentages | 3,803 |
| Due to Employees' Retirement System | 176,437 |
| Accrued Interest Payable | 230,563 |
| Bond Anticipation Notes Payable | 357,000 |
| Deferred Revenue | 28,927 |
| Noncurrent Liabilities: | |
| Due Within One Year | 2,569,524 |
| Due in More Than One Year | 18,403,991 |
| Other Postemployment Benefit Payable | <u>8,089,181</u> |
| <u>TOTAL LIABILITIES</u> | <u>\$ 30,518,670</u> |
| <u>NET ASSETS</u> | |
| Investment in Capital Assets, Net of Related Debt | \$ 11,611,563 |
| Restricted for: | |
| Special Revenue - Community Development Grant | 903 |
| Unrestricted (Deficit) | <u>(8,111,438)</u> |
| <u>NET ASSETS</u> | <u>\$ 3,501,028</u> |

See Accompanying Notes to Basic Financial Statements

INCORPORATED VILLAGE OF MINEOLA

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDING MAY 31, 2012

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets |
|--------------------------------------|----------------------|----------------------------|--|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental Activities: | | | | | |
| General Government | \$ 5,327,722 | \$ 2,181,495 | \$ -0- | \$ 372,176 | \$ (2,774,051) |
| Public Safety | 1,918,186 | 9,006 | 92,699 | -0- | (1,816,481) |
| Health | 88,527 | -0- | -0- | -0- | (88,527) |
| Transportation | 3,752,997 | 906,926 | -0- | 155,489 | (2,690,582) |
| Economic Assistance and Opportunity | 14,412 | -0- | -0- | -0- | (14,412) |
| Culture and Recreation | 3,670,819 | 168,529 | 9,433 | -0- | (3,492,857) |
| Home and Community | 6,055,187 | 2,488,681 | -0- | 234,084 | (3,332,422) |
| Interest on Long-Term Debt | 803,361 | -0- | -0- | -0- | (803,361) |
| Total Governmental Activities | \$ 21,631,211 | \$ 5,754,637 | \$ 102,132 | \$ 761,749 | \$ (15,012,693) |

| | | |
|---|----------------------|--|
| General Revenues: | | |
| Real Property Taxes | \$ 12,794,477 | |
| Other Tax Items | 53,367 | |
| Non-Property Tax Items | 894,303 | |
| Use of Money and Property | 249,118 | |
| State Aid | 525,392 | |
| Total General Revenues | \$ 14,516,657 | |
| Changes in Net Assets | \$ (496,036) | |
| Net Assets - Beginning of Period | 3,997,064 | |
| Net Assets - End of Period | \$ 3,501,028 | |

INCORPORATED VILLAGE OF MINEOLA

BALANCE SHEET

GOVERNMENTAL FUNDS

MAY 31, 2012

| | Major Governmental Funds | | | Non-Major Governmental Funds | Totals |
|---|--------------------------|---------------------|---------------------|------------------------------|---------------------|
| | General | Water | Capital Projects | | |
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 2,307,874 | \$ 1,105,990 | \$ 729 | \$ 35,366 | \$ 3,449,959 |
| Tax Sale Certificates Receivable (Net of \$973,845 allowance) | -0- | -0- | -0- | -0- | -0- |
| Water Rents Receivable | -0- | 311,562 | -0- | -0- | 311,562 |
| Accounts Receivable | 305,818 | 130 | -0- | 235 | 306,183 |
| Due from Other Funds | 563,455 | 2,703 | -0- | 251,219 | 817,377 |
| Due from Other Governments | 100,000 | -0- | 272,176 | 106,526 | 478,702 |
| Total Assets | \$ 3,277,147 | \$ 1,420,385 | \$ 272,905 | \$ 393,346 | \$ 5,363,783 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$ 251,627 | \$ 69,225 | \$ -0- | \$ 129,267 | \$ 450,119 |
| Accrued Liabilities | 182,274 | 10,935 | -0- | 15,916 | 209,125 |
| Retainage Payable | -0- | -0- | -0- | 3,803 | 3,803 |
| Due to Employees' Retirement System | 141,732 | 11,804 | -0- | 22,901 | 176,437 |
| Bond Anticipation Notes Payable | -0- | -0- | 357,000 | -0- | 357,000 |
| Due to Other Funds | 251,220 | 140,997 | 264,902 | -0- | 657,119 |
| Deferred Revenue | -0- | -0- | -0- | 28,927 | 28,927 |
| Total Liabilities | \$ 826,853 | \$ 232,961 | \$ 621,902 | \$ 200,814 | \$ 1,882,530 |
| Fund Balances | | | | | |
| Assigned: | | | | | |
| Water | \$ -0- | \$ 1,187,424 | \$ -0- | \$ -0- | \$ 1,187,424 |
| Special Grant | -0- | -0- | -0- | 903 | 903 |
| Library | -0- | -0- | -0- | 74,899 | 74,899 |
| Swimming Pool | -0- | -0- | -0- | 116,730 | 116,730 |
| Unassigned: | | | | | |
| General | 2,450,294 | -0- | -0- | -0- | 2,450,294 |
| Capital Projects | -0- | -0- | (348,997) | -0- | (348,997) |
| Total Fund Balances (Deficit) | \$ 2,450,294 | \$ 1,187,424 | \$ (348,997) | \$ 192,532 | \$ 3,481,253 |
| Total Liabilities and Fund Balances | \$ 3,277,147 | \$ 1,420,385 | \$ 272,905 | \$ 393,346 | \$ 5,363,783 |

See Accompanying Notes to Basic Financial Statements

INCORPORATED VILLAGE OF MINEOLA
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
AS OF MAY 31, 2012

Total Fund Balances - Governmental Funds \$ 3,481,253

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Capital assets less accumulated depreciation are reported in the Statement of Net Assets:

| | | |
|----------------------------------|---------------------|---------------|
| Capital Assets - Non-Depreciable | \$ 541,880 | |
| Capital Assets - Depreciable | 70,057,994 | |
| Accumulated Depreciation | <u>(43,519,357)</u> | \$ 27,080,517 |

Other accrued receivables are not available to pay for current period expenditures and, therefore, are not reported in the funds statement.

| | | |
|------------------------|----------------|---------|
| Water Rents Receivable | \$ 438,027 | |
| Accounts Receivable | <u>165,767</u> | 603,794 |

Inventory of Books, Periodicals, etc. are recorded on the Statement of Net Assets but not reported on the funds statement. 1,584,384

Bond Issuance Costs are amortized over the life of the bonds payable in the Statement of Net Assets 44,339

Long-term liabilities applicable to the Village's governmental activities are not due and payable in the current period and accordingly are not reported in governmental funds. However, these liabilities are included in the Statement of Net Assets:

| | | |
|---------------------------------------|--------------------|--------------|
| General Obligation Bonds Payable | \$ (18,429,408) | |
| Compensated Absences | (1,656,750) | |
| Claims and Judgments Payable | (887,357) | |
| Other Postemployment Benefits Payable | <u>(8,089,181)</u> | (29,062,696) |

Interest payable applicable to the Village's governmental activities are not due and payable in the current period and accordingly are not reported in the funds statement. However this liability is included in the Statement of Net Assets.

| | | |
|--|------------------|---------------|
| | <u>(230,563)</u> | <u>19,775</u> |
|--|------------------|---------------|

Net Assets of Governmental Activities \$ 3,501,028

INCORPORATED VILLAGE OF MINEOLA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED MAY 31, 2012

| | Major Governmental Funds | | | Non-Major Governmental Funds | Totals |
|---|--------------------------|---------------------|---------------------|------------------------------|----------------------|
| | General | Water | Capital Projects | | |
| REVENUES | | | | | |
| Real Property Taxes | \$ 12,794,477 | \$ -0- | \$ -0- | \$ -0- | \$ 12,794,477 |
| Other Tax Items | 53,367 | -0- | -0- | -0- | 53,367 |
| Non-Property Tax Items | 896,408 | -0- | -0- | -0- | 896,408 |
| Departmental Income | 1,080,216 | 2,452,111 | -0- | 84,556 | 3,616,883 |
| Use of Money and Property | 244,531 | 4,579 | -0- | 8 | 249,118 |
| Licenses and permits | 632,609 | -0- | -0- | -0- | 632,609 |
| Fines and Forfeitures | 1,535,753 | -0- | -0- | -0- | 1,535,753 |
| Sale of Property and Compensation for Loss | 34,794 | 25,736 | -0- | -0- | 60,530 |
| Miscellaneous | 49,050 | 260 | -0- | 3,678 | 52,988 |
| Interfund Revenues | 230,000 | -0- | -0- | -0- | 230,000 |
| State Aid | 785,648 | -0- | 272,176 | -0- | 1,062,490 |
| Federal Aid | 92,699 | -0- | -0- | 234,084 | 326,783 |
| Total Revenues | \$ 18,429,552 | \$ 2,482,686 | \$ 272,176 | \$ 326,992 | \$ 21,511,406 |
| EXPENDITURES | | | | | |
| General Government Support | \$ 4,551,257 | \$ 1,644 | \$ 272,176 | \$ 3,511 | \$ 4,828,588 |
| Public Safety | 1,131,966 | -0- | -0- | -0- | 1,131,966 |
| Health | 76,936 | -0- | -0- | -0- | 76,936 |
| Transportation | 2,004,190 | -0- | -0- | -0- | 2,004,190 |
| Economic Assistance and Opportunity | -0- | -0- | -0- | -0- | -0- |
| Culture and Recreation | 526,342 | -0- | -0- | 1,787,683 | 2,314,025 |
| Home and Community Services | 2,519,400 | 1,370,023 | -0- | 234,084 | 4,123,507 |
| Employee Benefits | 3,572,239 | 355,483 | -0- | 449,677 | 4,377,399 |
| Debt Service, Principal | 1,253,387 | 294,929 | -0- | 345,684 | 1,894,000 |
| Debt Service, Interest | 501,988 | 153,636 | -0- | 176,934 | 832,558 |
| Total Expenditures | \$ 16,137,705 | \$ 2,175,715 | \$ 272,176 | \$ 2,997,573 | \$ 21,583,169 |
| Excess (Deficiency) of | | | | | |
| Revenues Over Expenditures | \$ 2,291,847 | \$ 306,971 | \$ -0- | \$ (2,670,581) | \$ (71,763) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Bond Anticipation Notes Redeemed from | | | | | |
| Appropriations | -0- | -0- | \$ 119,000 | -0- | \$ 119,000 |
| Transfers In | 207,008 | 4,203 | -0- | 2,709,597 | 2,920,808 |
| Transfers Out | (2,709,597) | (200,000) | (8,711) | (2,500) | (2,920,808) |
| Total Other Financing Sources and Uses | \$ (2,502,589) | \$ (195,797) | \$ 110,289 | \$ 2,707,097 | \$ 119,000 |
| Net Change in Fund Balances | \$ (210,742) | \$ 111,174 | \$ 110,289 | \$ 36,516 | \$ 47,237 |
| Fund Balances - (Deficit) - June 1, 2011 | 2,661,036 | 1,076,250 | (459,286) | 156,016 | 3,434,016 |
| Fund Balances - (Deficit) - May 31, 2012 | \$ 2,450,294 | \$ 1,187,424 | \$ (348,997) | \$ 192,532 | \$ 3,481,253 |

See Accompanying Notes to Basic Financial Statements

INCORPORATED VILLAGE OF MINEOLA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2012

Net Change in Fund Balances \$ 47,237

Amounts reported for Governmental Activities in the Statement of Activities are different because:

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. The amount by which depreciation expense exceeds capital outlays in the current period is:

| | | |
|----------------------|------------------|-----------|
| Depreciation Expense | \$ (1,822,635) | |
| Capital Outlay | <u>1,232,490</u> | (590,145) |

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental funds.

| | | |
|--------------------------------------|------------------|----------|
| Amortization of Bond Issuance Costs | \$ (10,218) | |
| Decrease in Accrued Interest Payable | 20,402 | |
| Increase in Compensated Absences | <u>(103,858)</u> | (93,674) |

Governmental funds report purchase of books, periodicals, etc. as expenditures. However, in the Statement of Activities, such costs, have been eliminated and reported as Inventory in the Statement of Net Assets. 4,306

Net revenue earned in the statement of activities in the prior year, that became available in the current year provide current financial resources, but not Village-wide revenue in the current year (146,232)

The issuance of long-term debt that provides permanent financing provide current financial resources to governmental funds, while the repayment of the principal of long-term debt, and payment of long term liabilities use current financial resources of governmental funds.

| | | |
|--|--------------------|----------------|
| Repayment of Debt Principal | \$ 1,775,000 | |
| Payment of Retirement Incentive Program | 247,734 | |
| Change in Claims and Judgments Payable | 372,882 | |
| Change in Fire Service Awards | -0- | |
| Amortization of Net Premium on Bonds Payable | 8,795 | |
| Other Postemployment Benefits Expense | <u>(2,121,939)</u> | <u>282,472</u> |

Changes in Net Assets of Governmental Activities \$ (496,036)

INCORPORATED VILLAGE OF MINEOLA

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

AS OF MAY 31, 2012

| | <u>Fire Service Award</u> | <u>Agency Funds</u> |
|--------------------------------------|-----------------------------------|-------------------------|
| <u>ASSETS</u> | | |
| Cash | \$ -0- | \$ 197,977 |
| Investment in Securities | 2,709,533 | -0- |
| Deferred Expenditures | <u>5,060</u> | <u>-0-</u> |
| <u>Total Assets</u> | <u>\$ 2,714,593</u> | <u>\$ 197,977</u> |
| <u>LIABILITIES</u> | | |
| Developer Deposits | \$ -0- | \$ 18,532 |
| Village Justice Liabilities | -0- | 450 |
| Due to Other Funds: | | |
| General | -0- | 160,258 |
| Other Liabilities | <u>-0-</u> | <u>18,737</u> |
| <u>Total Liabilities</u> | <u>\$ -0-</u> | <u>\$ 197,977</u> |
| <u>NET ASSETS</u> | | |
| Held in Trust for Fire Service Award | <u>\$ 2,714,593</u> | |

See Accompanying Notes to Basic Financial Statements

INCORPORATED VILLAGE OF MINEOLA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

FOR THE YEAR ENDED MAY 31, 2012

| | <u>Fire Service Award</u> |
|---|-----------------------------------|
| <u>Additions:</u> | |
| Contribution: | |
| Employer | \$ 173,366 |
| Investment Earnings: | |
| Interest | 5,706 |
| Dividends | 138,627 |
| Net Change in Fair Market Value of Investments | <u>(198,574)</u> |
| <u>Total Additions</u> | <u>\$ 119,125</u> |
| <u>Deductions:</u> | |
| Benefits and Fees | <u>\$ 78,208</u> |
| <u>Total Deductions</u> | <u>\$ 78,208</u> |
| <u>Change in Net Assets</u> | \$ 40,917 |
| Net Assets - June 1, 2011 | <u>2,673,676</u> |
| Net Assets - May 31, 2012 | <u><u>\$ 2,714,593</u></u> |

See Accompanying Notes to Basic Financial Statements

INCORPORATED VILLAGE OF MINEOLA

NOTES TO FINANCIAL STATEMENTS

AS OF MAY 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The Incorporated Village of Mineola ("Village") was incorporated in 1906. The accounting and reporting policies of the Village relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and the Financial Accounting Standards Board (when applicable). The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Village are described below.

Financial Reporting Entity

The Incorporated Village of Mineola is located in Nassau County, New York. The Village is administered by a Mayor and four Trustees. The Mayor serves as Chief Executive Officer and the Treasurer serves as the Chief Fiscal Officer.

The Village provides the following basic services: Refuse Collection, Refuse Disposal under contract with the Town of North Hempstead, Highway and Public Facilities Maintenance, Water Supply, Sewage Collection, Justice Court, Culture and Recreation, Planning, Zoning and Library services. Fire Protection is furnished by a volunteer fire department, which maintains two fire houses in the Village.

The financial reporting entity of the Incorporated Village of Mineola consists of its primary government. All governmental activities and functions performed for the Village are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

Basis of Presentation

Village-Wide Financial Statements

The Village-wide financial statements titled, Statement of Net Assets and Statement of Activities, report financial information on all of the Village's governmental activities. Governmental activities include programs supported primarily by taxes, State Aid, grants and other intergovernmental revenues. The Village has no business type activities. Village activity in the fiduciary funds are not reported in the Village-wide financial statements. Also, the effect of interfund governmental activity has been eliminated from the Village-wide financial statements.

INCORPORATED VILLAGE OF MINEOLA

NOTES TO FINANCIAL STATEMENTS

AS OF MAY 31, 2012
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (cont'd)

Village-Wide Financial Statements (cont'd)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds. The emphasis of governmental fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported in a separate column.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the Village-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to /due from on the Village-wide statement of net assets.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for Village operations, they are not included in the Village-wide statements.

The Village's books and records are organized on the basis of funds, each of which is considered a separate accounting entity. The funds' operations are accounted for with a separate set of self-balancing accounts that consist of its assets, liabilities, fund balance, revenues and expenditures. A fund is segregated for its specific objectives or attaining specific objectives in accordance with regulations, restrictions or limitations.

INCORPORATED VILLAGE OF MINEOLA

NOTES TO FINANCIAL STATEMENTS

AS OF MAY 31, 2012
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (cont'd)

Fund Financial Statements (cont'd)

The Village reports the following major governmental funds:

- 1) General Fund - The general fund is the Village's primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund.
- 2) Water Fund - The water fund is used to account for the Village's Water Operations.
- 3) Capital Fund - Used to account for the proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

Additionally, the Village reports the following non-major funds:

- 1) Special Grant - Community development used to account for federal funds received as community development block grant programs.
- 2) Public Library - used to account for the operations of the public library.
- 3) Swimming Pool - used to account for the operations of the swimming pool.

The Village also reports the following fund type:

Fiduciary Funds - Used to account for assets held for others by the Village in a trustee or custodial capacity.

Village-Wide and Fiduciary Fund Financial Statements

The Village-wide and Fiduciary Fund financial statements use the economic resources measurement focus and are presented using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues 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. All assets and all liabilities associated with the operation of the Village are included in the statement of net assets.

INCORPORATED VILLAGE OF MINEOLA

NOTES TO FINANCIAL STATEMENTS

AS OF MAY 31, 2012
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Governmental Fund Financial Statements

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet.

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available to pay current period liabilities. Revenues are considered to be available if they are collectible within 60 days of the end of the current fiscal period. The Village recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized if collectible within 60 days after year end. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant revenues are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made.

Capital Asset acquisitions are reported as expenditures on the governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

An encumbrance accounting system, in which purchase order commitments for the expenditure of funds are recorded by all governmental funds in order to reserve that portion of an applicable appropriation. An encumbrance is only a commitment, therefore it does not meet the expenditure or liability recognition criteria. Encumbrances and appropriations outstanding at the end of the fiscal year lapse with the exception of those indicated as a reserve for encumbrances as assigned fund balance. The Village intends to honor these commitments and provide for the expenditure in the subsequent year.

INCORPORATED VILLAGE OF MINEOLA

NOTES TO FINANCIAL STATEMENTS

AS OF MAY 31, 2012

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Accounting Policies

Cash and Cash Equivalents

The Village considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Accounts Receivable

Accounts receivable except for taxes receivable are shown gross. No allowance for uncollectible accounts has been provided since it believes that such allowance would not be material. Tax sale certificates are shown net of an allowance.

Interfund Receivables and Payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Refer to Note 8 for detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

Property Taxes

Village real property taxes are levied annually no later than June 1 and become a lien on or before March 20. Taxes are collected during the period June 1 to the date of the tax lien sale.

Inventories and Prepaid Items

Inventories of materials and supplies are not reflected as assets. Disbursements for inventory type items are considered expenditures at the time of purchase. Books, periodicals, etc. available in the Public Library have been recorded as an inventoriable item at estimated historical cost. Prepaid items represent payment made by the Village for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. These items are reported as assets on the Statement of Net Assets or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year goods or services are consumed.

INCORPORATED VILLAGE OF MINEOLA

NOTES TO FINANCIAL STATEMENTS

AS OF MAY 31, 2012
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Accounting Policies (cont'd)

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more and an estimated useful life in excess of one year are reported at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

General capital assets acquisitions are reported as expenditures in the governmental funds financial statement of revenues, expenditures and changes in fund balances.

The Village depreciates its depreciable capital assets on the straight line basis over the following estimated useful lives.

| <u>Assets</u> | <u>Years</u> |
|--|--------------|
| Buildings | 50 |
| Improvements Other than Buildings | 20 |
| Machinery and Equipment | |
| Vehicles | 8-10 |
| Pumps and Motors | 20 |
| Other Machinery and Equipment (average) | 15 |
| Tanks in-ground | 50 |
| Infrastructure | |
| Drainage System | 30 |
| Water Mains | 50 |
| Sewer System | 40 |
| Parking Meters | 30 |
| Roads | 25 |
| Curbs and Sidewalks | 25 |
| Fire Hydrants | 20 |
| Street Lighting | 20 |
| Signage | 10 |

INCORPORATED VILLAGE OF MINEOLA

NOTES TO FINANCIAL STATEMENTS

AS OF MAY 31, 2012
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Accounting Policies (cont'd)

Deferred Bond Costs

This amount consists of bond issuance costs incurred when bonds were issued. The issuance costs are amortized over the term of the refunding bonds.

Deferred Revenue

In the Village-wide statements, deferred revenue is recorded when cash or other assets are received prior to being earned. In the governmental fund statements, deferred revenues are recorded when revenue is either unearned or unavailable.

Compensated Absences

The Village provides vacation pay, personal time and sick time benefits to its employees. Vacation time is to be used within one year of said employee's anniversary date unless the employee has requested and received permission from the Village Board to carry up to five vacation days over to the subsequent year. Employees with more than one year of service shall be entitled to six personal leave days per calendar year, said days to vest on an employee's anniversary date of employment. Employees in their first year of service shall only accumulate personal leave days at the rate of one day for each two months of service to a maximum of six days for the first year of service. If an employee does not utilize his or her personal leave time during the course of the calendar year within which it accrues, that portion which is not used will be added to his or her accumulated sick time. Sick time allowance accumulates from date of employment at the rate of twelve days per year, with no maximum accumulation for purposes of use. Unused accumulated sick time will be payable upon separation from service provided the employee shall have had eight years of actual employment, if hired prior to January 1, 1995 and ten years of actual employment if hired after January 1, 1995, with the Village subject to a maximum accumulation of 100 days or 115 days for Library employees through May 31, 2012. Payments for accumulated sick time shall only be payable upon retirement of an employee and further provided that the employee was not dismissed for disciplinary reasons for which no payment shall be made. However, any employee who shall have accumulated at least fifty sick days may, on an annual basis, redeem up to twenty days of the excess sick days accumulated over fifty days at the rate of 75% of value of the employee's rate of pay on October 1 of the year of election to redeem.

INCORPORATED VILLAGE OF MINEOLA

NOTES TO FINANCIAL STATEMENTS

AS OF MAY 31, 2012
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Accounting Policies (cont'd)

Payables and Accrued Liabilities

Payables and accrued liabilities are reported in the Village-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a Liability in the fund financial statements only to the extent that they are due for payment in the current year.

Long-Term Obligations

In the Village-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, the face amount of debt issued or acquisitions under capital leases are 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Principal payments on long-term debt are also recorded as expenditures.

Postemployment Benefits

In addition to the retirement benefits described in Note 9, the Incorporated Village of Mineola provides postemployment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contract negotiated between the Village and its employee groups. Substantially all of the current Village employees may become eligible for these benefits if they reach normal retirement age while working for the Village. The Village pays the cost of the retired employee's premiums to an insurance company which provides health care insurance.

Equity Classifications

Village-Wide Financial Statements- Net Assets

When the Village incurs an expense for which it may use either restricted or unrestricted net assets, it uses restricted net assets first, then unrestricted resources as they are needed. Net assets represent the difference between assets and liabilities. Net assets on the Statement of Net Assets include the following:

INCORPORATED VILLAGE OF MINEOLA

NOTES TO FINANCIAL STATEMENTS

AS OF MAY 31, 2012
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity Classifications (cont'd)

Village-Wide Financial Statements- Net Assets (cont'd)

Investment in Capital Assets, Net of Retained Debt -

The component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted -

The component of net assets that is restricted when constraints placed on net asset use are either imposed by external creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted -

The Unrestricted Net Assets do not meet the definition of the two preceding categories. Unrestricted Net Assets often have constraints on resources imposed by management which can be removed or modified.

Governmental Fund Financial Statements - Fund Balances

During the year ended May 31, 2012, the Village implemented the GASB 54, (see Note 2 "Changes in Accounting Principle" for additional information). Under GASB 54, there are five classifications of fund balance: nonspendable, restricted, committed, assigned and unassigned. The Village currently only utilizes the following two:

Assigned -

Consists of amounts that are subject to a purpose constraint that represents an intended use established by the Village's Board of Trustees. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of the fund balance. Assigned fund balance in the general fund includes encumbrances and appropriated fund balance.

Unassigned -

Represents the residual classification for the Village's general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

INCORPORATED VILLAGE OF MINEOLA

NOTES TO FINANCIAL STATEMENTS

AS OF MAY 31, 2012
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity Classifications (cont'd)

Fund Balance Classification

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

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) restricted funds should be spent first unless otherwise required by law or agreement, then assigned and unassigned.

Use of Estimates

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

NOTE 2 - CHANGES IN ACCOUNTING PRINCIPLE

In February 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement no. 54 (GASB 54), *Fund Balance Reporting and Governmental Type Definitions*, which was implemented by the Village during the year ended May 31, 2012. The statement establishes fund balance classifications based primarily on the extent to which Local Governments are bound to honor constraints on the use of the resources reported in the governmental funds as well as establishes additional note disclosures regarding fund balance classification policies and procedures. This statement establishes five fund balance classifications: nonspendable, restricted, committed, assigned and unassigned.

NOTE 3 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUNDS STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the funds statements and the Village-wide statements, certain financial transactions are treated differently. The fund financial statements contain a full reconciliation of these items. The differences result primarily from the economic resource measurement focus of the Statement of Activities, compared with the current financial resource measurement focus of the governmental funds.

INCORPORATED VILLAGE OF MINEOLA

NOTES TO FINANCIAL STATEMENTS

AS OF MAY 31, 2012
(Continued)

NOTE 3 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUNDS STATEMENTS AND DISTRICT-WIDE STATEMENTS

Total fund balances of governmental funds vs. net assets of governmental activities

Total fund balances of the Village's governmental funds differ from "net assets" of governmental activities reported in the Statement of Net Assets. This difference primarily results from the additional long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of the governmental funds Balance Sheets.

Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of four broad categories. The categories are shown below:

Long-term revenue and expense differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

Capital related differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

Long-term debt transaction differences

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Assets. In addition, both interest and principal payments are recorded as expenditures in the governmental fund statements, when due and payable whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Assets.

INCORPORATED VILLAGE OF MINEOLA

NOTES TO FINANCIAL STATEMENTS

AS OF MAY 31, 2012
(Continued)

NOTE 3 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUNDS STATEMENTS AND DISTRICT-WIDE STATEMENTS

Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities (cont'd)

Reclassifications and eliminations

Reclassifications and eliminations arise because the Statement of Activities reports program revenues (either charges for services or operating grants) net of their direct expenses. All other revenues are categorized as general revenues. Certain expenses have been reclassified so that all identifiable program expenses are accounted for within their proper program, such as the allocation of employee benefits and depreciation expense. Governmental funds account for all revenues and expenses based on their function.

NOTE 4 - STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

The budget officer submits tentative budgets to the Board of Trustees for the fiscal year commencing the following June 1st no later than March 20th for the General Fund and the Special Revenue Funds - Water, Public Library and Swimming Pool. The tentative budgets include proposed expenditures. After a public hearing is conducted to obtain taxpayer comments, normally no later than April 15, the governing board adopts the budget by May 1st.

All modifications of the budgets must be approved by the governing board.

Budget Basis of Accounting:

The Budgets for the Village's operating funds are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

Budgetary controls for the Capital Projects Fund and Community Development Block Grant, are established in accordance with the capital project authorization or applicable grant agreement which may cover a period more than the Village's fiscal year. Consequently, the annual budget for these funds represents the balance of unexpended appropriations available for the current fiscal year.

INCORPORATED VILLAGE OF MINEOLA

NOTES TO FINANCIAL STATEMENTS

AS OF MAY 31, 2012
(Continued)

NOTE 5 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of cash on hand, bank deposits, certificates of deposits and short term investments with original maturities of three months or less from the date of acquisition.

The Village's investments policies are governed by State statutes and its own written investment policy.

Permissible investments include special time deposit accounts, certificates of deposit, obligations of the United States Treasury and its agencies, New York State and its municipalities and repurchase agreements from an authorized trading partner. During this fiscal year, the Village's cash and cash equivalents consisted of time deposits.

Cash or Cash Equivalent deposits are subject to custodial credit risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The Village's investment policy requires that deposits be protected by the Federal Deposit Insurance Corporation (FDIC) or by eligible collateral pledged by the financial institution in the Village's name. Obligations that may be pledged as collateral are obligations of the United States of America, its agencies and obligations of New York State and its municipalities. At May 31, 2012 the Village's Aggregate bank balance disclosed in the financial statements was either covered by depository insurance or collateralized with securities held by the pledging financial institution in the Village's name. As of May 31, 2012, the Village did not have any deposits subject to custodial credit risk.

INCORPORATED VILLAGE OF MINEOLA

NOTES TO FINANCIAL STATEMENTS

AS OF MAY 31, 2012

(Continued)

NOTE 6 - CAPITAL ASSET ACTIVITY

Capital asset activity for the Village for the year ended May 31, 2012, was as follows:

| <u>Government Activities:</u> | <u>Beginning Balance</u> | <u>Additions and Reclassification</u> | <u>Retirements</u> | <u>Ending Balance</u> |
|--|--------------------------|---------------------------------------|---------------------|-----------------------|
| <u>Capital Assets Not Being Depreciated:</u> | | | | |
| Land | \$ 390,000 | \$ -0- | \$ -0- | \$ 390,000 |
| Construction in Progress | <u>456,892</u> | <u>151,880</u> | <u>(456,892)</u> | <u>151,880</u> |
| Total capital assets not being depreciated | <u>\$ 846,892</u> | <u>\$ 151,880</u> | <u>\$ (456,892)</u> | <u>\$ 541,880</u> |
| <u>Depreciable Capital Assets</u> | | | | |
| Infrastructure | \$38,423,699 | \$ 456,892 | \$ -0- | \$38,880,591 |
| Improvements other than buildings | 4,019,779 | 12,163 | -0- | 4,031,942 |
| Buildings | 15,823,124 | 1,018,825 | -0- | 16,841,949 |
| Machinery and equipment | <u>10,292,990</u> | <u>49,622</u> | <u>(39,100)</u> | <u>10,303,512</u> |
| Total depreciable assets | <u>\$68,559,592</u> | <u>\$ 1,537,502</u> | <u>\$ (39,100)</u> | <u>\$70,057,994</u> |
| <u>Less Accumulated Depreciation:</u> | <u>Beginning Balance</u> | <u>Additions and Reclassification</u> | <u>Retirements</u> | <u>Ending Balance</u> |
| Infrastructure | \$21,304,058 | \$ 991,706 | \$ -0- | \$22,295,764 |
| Improvements other than buildings | 3,314,273 | 133,802 | -0- | 3,448,075 |
| Buildings | 9,157,339 | 417,116 | -0- | 9,574,455 |
| Machinery and equipment | <u>7,960,152</u> | <u>280,011</u> | <u>(39,100)</u> | <u>8,201,063</u> |
| Total accumulated depreciation | <u>\$41,735,822</u> | <u>\$ 1,822,635</u> | <u>\$ (39,100)</u> | <u>\$43,519,357</u> |
| Total net depreciable capital assets | <u>\$26,823,770</u> | <u>\$ (285,133)</u> | <u>\$ -0-</u> | <u>\$26,538,637</u> |
| Total Net Capital Assets | <u>\$27,670,662</u> | | | <u>\$27,080,517</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|------------------------------|---------------|
| General Government Support | \$ 159,232 |
| Public Safety | 232,061 |
| Transportation | 829,348 |
| Culture and Recreation | 227,125 |
| Home and Community Services | 360,457 |
| Economic Asset & Opportunity | <u>14,412</u> |

Total Depreciation Expense \$1,822,635

NOTE 7 - NONCURRENT LIABILITIES

Long-Term Debt transactions for the year ended May 31, 2012 can be summarized as follows:

INCORPORATED VILLAGE OF MINEOLA

NOTES TO FINANCIAL STATEMENTS

AS OF MAY 31, 2012
(Continued)

NOTE 7 - NONCURRENT LIABILITIES (continued)

| | <u>Balance</u> <u>June 1, 2011</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>May 31, 2012</u> | <u>Noncurrent Liabilities</u> | |
|-------------------------------------|---------------------------------------|-------------------|---------------------|---------------------------------------|--------------------------------------|--|
| | | | | | <u>Due Within</u> <u>One Year</u> | <u>Due In More Than</u> <u>One Year</u> |
| Serial Bonds Payable | \$ 20,213,202 | \$ -0- | \$ 1,783,794 | \$ 18,429,408 | \$ 1,820,000 | \$ 16,609,408 |
| Judgments and Claims Payable | 1,260,239 | 887,357 | 1,260,239 | 887,357 | 749,524 | 137,833 |
| Compensated Absences | 1,552,892 | 103,858 | -0- | 1,656,750 | -0- | 1,656,750 |
| Due to Employees' Retirement System | <u>247,734</u> | <u>-0-</u> | <u>247,734</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| <u>Totals</u> | <u>\$ 23,274,067</u> | <u>\$ 991,215</u> | <u>\$ 3,291,767</u> | <u>\$ 20,973,515</u> | <u>\$ 2,569,524</u> | <u>\$ 18,403,991</u> |

Serial Bonds Payable

The Village had issued serial bonds primarily to provide for the acquisition and construction of major capital facilities, payments of judgments and claims, retire bond anticipation notes payable or refund previously issued serial bonds. The serial bonds are direct obligations and pledge the full faith and credit of the Village.

The following is a summary of serial bonds payable at May 31, 2012:

| <u>Serial Bonds</u> | <u>%</u> | <u>Principal</u> |
|--|----------|----------------------|
| 1996 Environmental Facilities Corp. Issue Final Payment Dated 7/15/16 | 1.67 | \$ 185,000 |
| 1998 Environmental Facilities Corp. Issue Final Payment Due 7/15/18 | 2.02 | 175,000 |
| 2003 Public Improvement Issue Final Payment Due 8/15/23 | 4.49 | 14,090,000 |
| 2007 Public Improvement Issue Series A Final Payment Due 10/1/15 | 3.68 | 1,855,000 |
| 2007 Public Improvement Issue Series B Final Payment Due 7/15/18 | 3.72 | <u>2,090,000</u> |
| Total Principal of Bonds Outstanding | | \$ 18,395,000 |
| Unamortized Accrued Premium on Refunding Bonds Net of the Deferred Amount on Refunding | | <u>34,408</u> |
| <u>Total</u> | | <u>\$ 18,429,408</u> |

INCORPORATED VILLAGE OF MINEOLA

NOTES TO FINANCIAL STATEMENTS

AS OF MAY 31, 2012
(Continued)

NOTE 7 - NONCURRENT LIABILITIES (cont'd)

Serial Bonds Payable (cont'd)

Serial bonds outstanding at May 31, 2012 have principal and interest payments due as follows:

| <u>Fiscal Year(s)</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|----------------------|---------------------|----------------------|
| May 31, 2013 | \$ 1,820,000 | \$ 756,731 | \$ 2,576,731 |
| May 31, 2014 | 1,835,000 | 686,139 | 2,521,139 |
| May 31, 2015 | 1,725,000 | 617,083 | 2,342,083 |
| May 31, 2016 | 1,790,000 | 547,930 | 2,337,930 |
| May 31, 2017 | 1,475,000 | 481,828 | 1,956,828 |
| May 31, 2018-2022 | 6,870,000 | 1,473,212 | 8,343,212 |
| May 31, 2023-2026 | 2,880,000 | 144,345 | 3,024,345 |
| | <u>\$ 18,395,000</u> | <u>\$ 4,707,268</u> | <u>\$ 23,102,268</u> |
| Unamortized Premium on Refunding Bonds Net of the Deferred Amount on Refunding | <u>34,408</u> | <u>(34,408)</u> | <u>-0-</u> |
| Total | <u>\$ 18,429,408</u> | <u>\$ 4,672,860</u> | <u>\$ 23,102,268</u> |

The Village received a \$110,087 bond premium on refinanced bonds issued in March 2007. The premium is being amortized over the life of the bonds using the straight-line method. During the current year, the Village amortized \$8,795 of the bond premium by reducing interest expense on the Village-Wide Financial Statements.

Judgment and Claims Payable

The following is a summary of Judgments and Claims Payable as of May 31, 2012:

| | <u>Total</u> | <u>Due Within One Year</u> | <u>Due in More Than One Year</u> |
|----------------------|-------------------|--------------------------------|--------------------------------------|
| Tax Certiorari | \$ 720,469 | \$ 582,636 | \$ 137,833 |
| Workers Compensation | 166,888 | 166,888 | -0- |
| | <u>\$ 887,357</u> | <u>\$ 749,524</u> | <u>\$ 137,833</u> |

Tax Certiorari

The Village has recorded a liability for tax certioraris in the amount of \$720,469 as of May 31, 2012. According to the various settlements, \$582,636 will be expended from the General Fund for the fiscal year ending May 31, 2013. The remaining balance, \$137,833 will be paid after May 31, 2013.

INCORPORATED VILLAGE OF MINEOLA

NOTES TO FINANCIAL STATEMENTS

AS OF MAY 31, 2012
(Continued)

NOTE 7 - NONCURRENT LIABILITIES (cont'd)

Judgment and Claims Payable (cont'd)

Workers' Compensation

The Village self insures its liability for workers' compensation and its claims are handled by a third party administrator. The premium for workers' compensation is shared by the General, Water, Swimming Pool and Library funds. The Village estimates its workers' compensation liability by consulting with its third party administrator and legal counsel. As of May 31, 2012, the Village estimates its workers' compensation liability to be \$166,888. The Village estimates the amount of workers' compensation that will be paid in the next twelve months to be \$166,888 and reports that amount as due within one year.

The following is a summary of the changes in claim liabilities for the previous and current fiscal year ended May 31:

| <u>Fiscal Year</u> <u>May 31</u> | <u>Beginning Balance</u> | <u>Claims Incurred</u> <u>Net of Adjustment</u> <u>to Reserves</u> | <u>Payments</u> | <u>Ending Balance</u> |
|-------------------------------------|--------------------------|--|-----------------|-----------------------|
| 2011 | \$ 311,736 | \$ 220,236 | \$ 110,182 | \$ 421,790 |
| 2012 | 421,790 | 203,391 | 458,293 | 166,888 |

Compensated Absences

The Village's liability for vested or accumulated compensated absences, such as accrued vacation and sick pay, is \$1,656,750 and has been accrued in the Statement of Net Assets.

The Village records the current portion of this liability based on specific employees that have announced their retirement and are due an amount for compensated absences at May 31, 2012.

Due to Employees' Retirement System

Pursuant to Chapter 105 of the Laws of 2010, the State Legislature authorized and the Village adopted a retirement incentive program with total costs of \$247,734. The Village paid this liability during the year ended May 31, 2012.

INCORPORATED VILLAGE OF MINEOLA

NOTES TO FINANCIAL STATEMENTS

AS OF MAY 31, 2012

(Continued)

NOTE 8 - INTERFUND TRANSACTIONS

Due from and due to other Funds consists of the following at May 31, 2012:

| <u>Major Funds</u> | <u>Due from Other Funds</u> | <u>Due to Other Funds</u> |
|--|---------------------------------|-------------------------------|
| General | \$ 563,455 | \$ 251,220 |
| Water | 2,703 | 140,997 |
| Capital | -0- | 264,902 |
| <u>Total Major Funds</u> | <u>\$ 566,158</u> | <u>\$ 657,119</u> |
| <u>Non-Major Funds</u> | | |
| Special Grant | \$ -0- | \$ -0- |
| Library | 116,819 | -0- |
| Swimming Pool | 134,400 | -0- |
| <u>Total Non-Major Funds</u> | <u>\$ 251,219</u> | <u>\$ -0-</u> |
| <u>Total Governmental Activities</u> | <u>\$ 817,377</u> | <u>\$ 657,119</u> |
| <u>Fiduciary Funds</u> | | |
| Trust and Agency | -0- | 160,258 |
| <u>TOTALS</u> | <u>\$ 817,377</u> | <u>\$ 817,377</u> |

Interfund revenue transfers and interfund expenditure transfers for the year ending May 31, 2012 were as follows:

| <u>Major Funds</u> | <u>Interfund Revenue Transfers</u> | <u>Interfund Expenditure Transfers</u> |
|-----------------------------------|--|--|
| General | \$ 207,008 | \$ 2,709,597 |
| Water | 4,203 | 200,000 |
| Capital | -0- | 8,711 |
| <u>Total Major Funds</u> | <u>\$ 211,211</u> | <u>\$ 2,918,308</u> |
| <u>Non-Major Funds</u> | | |
| Library | \$ 2,042,134 | \$ -0- |
| Swimming Pool | 667,463 | 2,500 |
| <u>Total Non- Major Funds</u> | <u>\$ 2,709,597</u> | <u>\$ 2,500</u> |
| <u>TOTALS</u> | <u>\$ 2,920,808</u> | <u>\$ 2,920,808</u> |

The Governmental Funds' Interfund Receivable from the Fiduciary Fund, in the amount of \$160,258, is reported on the Village-wide Statement of Net Assets as Due from Fiduciary Fund.

INCORPORATED VILLAGE OF MINEOLA

NOTES TO FINANCIAL STATEMENTS

AS OF MAY 31, 2012

(Continued)

NOTE 9 - PENSION PLANS

The Village provides retirement benefits for substantially all its full time employees and participates in the New York State and Local Employees' Retirement System (ERS). This is a cost sharing multiple employer, public employee retirement system.

Employees' Retirement System (ERS)

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits using the aggregate actuarial funding method. 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 serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of their funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State Retirement System, 110 State Street, Albany, New York 12244.

Funding Policy

The ERS is noncontributory except for employees who either joined the System after July 27, 1976, with less than ten years of membership or ten years of credited service, who contribute 3% of their salary, or joined the system on or after January 1, 2010, who contribute 3% of their salary throughout active membership. For the New York State and Local Employees' Retirement System, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

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

| | <u>ERS</u> |
|--------------|-------------|
| May 31, 2012 | \$1,041,371 |
| May 31, 2011 | 644,588 |
| May 31, 2010 | 408,471 |

The May 31, 2012 contribution included a lump sum payment of \$245,503 for the 2010 retirement incentive. The net contribution amount was \$795,868.

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

INCORPORATED VILLAGE OF MINEOLA

NOTES TO FINANCIAL STATEMENTS

AS OF MAY 31, 2012

(Continued)

NOTE 9 - PENSION PLANS (continued)

Funding Policy (cont'd)

Annual payments are due by each December 15th, and cover the fiscal year through the ensuing March 31. The system uses the aggregate actuarial funding method and the required contribution was based on the System's fiscal year ended March 31, 2011. The average contribution rate for the fiscal year ended March 31, 2011, including retirement incentive contributions was 11.9% of payroll. Significant actuarial assumptions used to determine employer contributions was an 8% interest rate, a 5.4% salary scale and a 3% inflation rate.

Village Sponsored Fire Service Award Program

The Incorporated Village of Mineola financial statements are for the year ended May 31, 2012. The information contained in this note is based on information for the Incorporated Village of Mineola Service Award Program for the program year ending on December 31, 2011, which is the most recent program year.

Length of Service Awards Program - LOSAP

The Incorporated Village of Mineola (the "Sponsor") established a defined benefit Service Award Program (referred to as a "LOSAP" - length of service award program - under Section 457(e)(11) of the Internal Revenue Code) effective January 1, 1991 for the active volunteer firefighter members of the Mineola Fire Department. The program was established pursuant to Article 11-A of the New York State General Municipal Law. The program provides municipally-funded deferred compensation to volunteer firefighters to facilitate the recruitment and retention of active volunteer firefighters. The Incorporated Village of Mineola is the sponsor of the program and the program administrator.

Program Description

Under the program, participating volunteers begin to be paid a service award upon attainment of the program "entitlement age". The amount of the service award paid to a volunteer is based upon the number of years of service credit the volunteer earned under the program for performing active volunteer firefighter activities.

Participation, Vesting and Service Credit

Active volunteer firefighters who have reached the age of 18 and who have completed 1 year of firefighting service are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with five (5) years of firefighting service or upon attaining the program's entitlement age while an active volunteer. The program's entitlement age is age 60. An active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program

INCORPORATED VILLAGE OF MINEOLA

NOTES TO FINANCIAL STATEMENTS

AS OF MAY 31, 2012

(Continued)

NOTE 9 - PENSION PLANS (continued)

Village Sponsored Fire Service Award Program (cont'd)

Participation, Vesting and Service Credit (cont'd)

in which he or she accumulates fifty points. Points are granted for the performance of certain firefighter activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for five (5) years of active volunteer firefighting service rendered prior to the establishment of the program as an active volunteer firefighter member of the Mineola Fire Department.

On September 10, 2009, Village residents approved a public referendum that amended its Length of Service Award Program (LOSAP) so as to permit a firefighter to earn additional service credits subsequent to reaching entitlement age (age 60). This means that active volunteer firefighters age 60 or more can earn annual service credits in accordance with the LOSAP Plan, provided he or she accomplishes required firefighter activities in a calendar year.

Benefits

A participant's service award benefit is paid as a ten year certain and continuous monthly payment life annuity. The amount payable each month equals \$20 multiplied by the total number of years of service credit earned by the volunteer under the point system. The maximum number of years of service credit a participant may earn is 40 years under the program. Currently, there are no other forms of payment of a volunteer's earned service award under the Program. Except in the case of death or total and permanent disablement, service awards commence to be paid when a participant attains the entitlement age. The program provides death and disability benefits equal to the actuarial value of the participant's earned service award at the time of death or disablement. The program does not provide extra line-of-duty death or disability benefits. All death and disability benefits are "self insured" and are paid from the program trust fund. For a complete explanation of the program, see the Program Document a copy of which is available from the Village Clerk.

Fiduciary Investment and Control

After the end of each calendar year, the fire department prepares and certifies a list of names of all persons who were active volunteer members of the fire department during the year indicating which volunteers earned fifty points. The certified list is delivered to the Board of Trustees for the Board's review and approval. The fire department must maintain the point system records to verify each volunteer's points on forms provided and/or approved by the Board of Trustees.

INCORPORATED VILLAGE OF MINEOLA

NOTES TO FINANCIAL STATEMENTS

AS OF MAY 31, 2012
(Continued)

NOTE 9 - PENSION PLANS (continued)

Village Sponsored Fire Service Award Program (cont'd)

Fiduciary Investment and Control (cont'd)

The Board of Trustees has retained Penflex, Inc. to assist in the administration of the program. The services provided by Penflex, Inc. are the Preparation of Service Award payment certification and trustee directive letters, recertification due to service adjustment, preparation of IRS Forms 1099 and 1096, preparation and mailing to clients of IRS Form 1096 transmittal package with instructions.

Based on the certified calendar year volunteer firefighter listings Penflex determines and certifies in writing to the Board of Trustees the amount of the service award to be paid to a participant or to a participant's designated beneficiary. The person(s) authorized by the Board of Trustees then authorizes, in writing, the custodian of the Incorporated Village of Mineola's SAP trust funds to pay the service award. No service award benefit payment is made without the written certification from Penflex and the written directive from the authorized representative of the Board of Trustees. Administrative expenses are authorized for payment by the Board of Trustees in the same manner as any other invoice presented to the Village for payment and are an expenditure of the general fund.

Program assets are required to be held in trust by Article 11-A, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program. The Board of Trustees created a Service Award Program Trust Fund through the adoption of a Trust Document, a copy of which is available from the Village Clerk. The Board of Trustees is the program trustee.

Authority to invest the program assets is vested in the program trustee. Program assets are invested in accordance with a statutory prudent person rule and in accordance with a written investment policy statement adopted by the Board of Trustees. The Board of Trustees has retained RBC Wealth Management to provide investment management and custodial services and Comerica Bank to pay benefits to participants.

The Board of Trustees is required to retain an actuary to determine the amount of the Village's contributions to the plan. The actuary retained by the Village for this purpose is Edward J. Holohan of Penflex, Inc. Mr. Holohan is an Associate of the American Society of Actuaries.

INCORPORATED VILLAGE OF MINEOLA

NOTES TO FINANCIAL STATEMENTS

AS OF MAY 31, 2012

(Continued)

NOTE 9 - PENSION PLANS (continued)

Program Financial Condition

Assets and Liabilities

| | |
|--|-------------------|
| Actuarial Present Value of Accrued Service Awards as of 1/1/12 | \$ 3,111,147 |
| Less: Assets Available for Benefits | |
| Money Market | \$ 183,080 |
| Interest & Dividends Receivable | 174 |
| U.S. Equities | 109,949 |
| International Equities | 133,542 |
| Taxable Fixed Income | 1,399,414 |
| Mixed Assets | 854,015 |
| Other Assets | <u>4,520</u> |
| Total Net Assets Available for Benefits | \$ 2,684,694 |
| Total Unfunded (Excess) Benefits | \$ 426,453 |
| Less: Unfunded Liability for Separately Amortized Costs | <u>(266,618)</u> |
| Unfunded Normal (Excess) benefits | <u>\$ 159,835</u> |

Separately Amortized Costs

The Village and its volunteer fire department reached an agreement that entitles firefighters additional service credit after they have reached entitlement age. In 2010, an amount of \$238,032 post entitlement age service cost was established and is being amortized over 10 years at a 6% interest rate which results in a \$30,510 annual payment. Additional post entitlement age service costs of \$39,261 and \$38,859 were incurred in 2011 and 2012 which are being amortized over 3 years at a 6% interest rate resulting in \$13,856 and \$13,714 annual payments.

Receipts and Disbursements

| | |
|---|---------------------|
| Plan Net Assets, January 1, 2011 | \$ 2,612,250 |
| Changes during the year: | |
| Plan contributions | 173,366 |
| Investment income earned | 151,524 |
| Changes in fair market value of investments | (131,555) |
| Administrative and Other Fees/Charges | (16,772) |
| Benefits Paid | <u>(104,119)</u> |
| Plan Net Assets, December 31, 2011 | <u>\$ 2,684,694</u> |

INCORPORATED VILLAGE OF MINEOLA

NOTES TO FINANCIAL STATEMENTS

AS OF MAY 31, 2012

(Continued)

NOTE 9 - PENSION PLANS (continued)

Program Financial Condition (cont'd)

Contributions

The required contributions for the current Village fiscal year end and the two preceding years were:

| <u>Service Award Program Year End</u> | <u>Sponsor's Fiscal Year End</u> | <u>Sponsor's Contribution Recommended By Actuary</u> | <u>Sponsor's Actual Contribution</u> |
|---|--|--|--|
| December 31, 2011 | May 31, 2012 | \$173,366 | \$173,366 |
| December 31, 2010 | May 31, 2011 | 165,393 | 165,393 |
| December 31, 2009 | May 31, 2010 | 159,991 | 159,991 |

Administration Fees

| | |
|---|----------|
| Fees paid to administrative/actuarial services provider | \$10,082 |
| Fees paid for investment managements | \$16,068 |
| Other administration fees | \$ 705 |

Funding Methodology and Actuarial Assumptions

Normal Costs

The actuarial valuation methodology used by the actuary to determine the sponsor's contribution is the Attained Age Normal Frozen Initial Liability method. The assumptions used by the actuary to determine the sponsor's contribution and the actuarial present value of benefits are:

Assumed rate of return on program investments 6.0%

Tables used for:

| | |
|--|---|
| Post Entitlement Age mortality: | 1994 Unisex Pensioner Male Mortality Table projected with scale AA to 2007 |
| *Pre Entitlement Age mortality: | None |
| *Pre Entitlement Age disability: | None |
| *Pre Entitlement Age withdrawal: | None |
| *Pre Entitlement Age service credit accruals: | 100% |

*For program cost calculation purposes, all pre-entitlement age active volunteer firefighter participants are assumed to: survive to the entitlement age; remain active and earn 50 points each year; and, begin to be paid service awards upon attainment of the entitlement age.

INCORPORATED VILLAGE OF MINEOLA

NOTES TO FINANCIAL STATEMENTS

AS OF MAY 31, 2012

(Continued)

NOTE 10 - SHORT-TERM NOTES PAYABLE

Short-term debt may be authorized and issued to fund current operating costs prior to collection of revenues through the issuance of revenue or tax anticipation notes or to finance capital project expenditures prior to the issuance of permanent long-term debt, through the issuance of Bond Anticipation Notes. The following is a summary of short-term bond anticipation notes activity for the fiscal year ended May 31, 2012.

| <u>Purpose</u> | <u>Short-Term Balance June 1, 2011</u> | <u>Additions</u> | <u>Reductions</u> | <u>Short-Term Balance May 31, 2012</u> | <u>Interest Rate</u> | <u>Maturity Date</u> |
|---|--|------------------|-------------------|--|--------------------------|--------------------------|
| Finance Various Pool Improvements | \$ 120,000 | \$ -0- | \$ 30,000 | \$ 90,000 | .93% | 1/11/13 |
| Finance Acquisition of Fire Department Pumper | <u>356,000</u> | <u>-0-</u> | <u>89,000</u> | <u>267,000</u> | .93% | 1/11/13 |
| <u>Total</u> | <u>\$ 476,000</u> | <u>\$ -0-</u> | <u>\$ 119,000</u> | <u>\$ 357,000</u> | | |

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The Village provides medical, Medicare Part B reimbursement, life insurance, and dental benefits to its retirees in accordance with its employment contracts. A retiree must be 55 years old with 5 years of service to be eligible for these benefits as a retiree. These postemployment health care benefits are provided through insurance companies whose premiums are based on the benefits paid during the year. As of June 1, 2011, (the census data and plan information provided by the Village for the June 1, 2011 actuarial valuation) there were 185 active and retired employees (including surviving spouses) participating in the Village's OPEB plan.

Funding Policy

The Village pays an insurance company monthly the actual amount invoiced for health care benefits provided to retirees' and recognizes this amount as an expenditure in the governmental funds on the "pay as you go" basis.

Presently, New York State does not authorize a local government to create or fund a trust for the exclusive payment of other post employment benefits and requires the Village to fund OPEB benefits on the "pay as you go" basis.

INCORPORATED VILLAGE OF MINEOLA

NOTES TO FINANCIAL STATEMENTS

AS OF MAY 31, 2012

(Continued)

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Annual OPEB Cost

The Village's annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The Village has calculated the ARC and related information using the entry age actuarial cost method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial accrued liabilities over a period not to exceed thirty years. The remaining amortization period at May 31, 2012 is 26.32 years. The following table shows the components of the Village's annual OPEB cost for the year and the amount actually contributed to the plan.

| | |
|---|--------------------|
| Annual Required Contribution (ARC) | \$3,173,754 |
| Interest on Net OPEB Obligation | 238,690 |
| Adjustment to ARC | <u>(273,244)</u> |
| Annual OPEB expense | \$3,139,200 |
| Contributions Made | <u>(1,017,261)</u> |
| Increase in OPEB Obligation | \$2,121,939 |
| Net OPEB Obligation - beginning of year | <u>5,967,242</u> |
| Net OPEB Obligation - end of year | <u>\$8,089,181</u> |

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending May 31, 2012 and the preceding two years is as follows:

| <u>Fiscal Year Ending</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> | <u>Covered Payroll</u> | <u>OPEB Cost % of Pay</u> |
|---------------------------|-------------------------|---|----------------------------|------------------------|---------------------------|
| 05/31/2010 | \$2,945,879 | 32.1% | \$4,002,092 | \$4,956,377 | 59.4% |
| 05/31/2011 | \$3,010,652 | 34.7% | \$5,967,242 | \$5,080,287 | 59.3% |
| 05/31/2012 | \$3,139,200 | 32.4% | \$8,089,181 | \$5,123,392 | 61.3% |

Funded Status and Funding Progress

As of June 1, 2011, the most recent actuarial valuation date, the actuarial accrual liability for benefits was \$37,739,927. As previously mentioned, New York State does not authorize a local government to create or fund a trust for this plan, therefore the plan is 0% funded resulting in an unfunded actuarial accrued liability (UAAL) of \$37,739,927. The annual payroll of active employees (covered payroll) that participate in the plan was \$5,123,392, and the ratio of UAAL to cover payroll was 736.6%.

INCORPORATED VILLAGE OF MINEOLA

NOTES TO FINANCIAL STATEMENTS

AS OF MAY 31, 2012
(Continued)

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Funded Status and Funding Progress (cont'd)

The projection of future benefit payments for an ongoing plan involves 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. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 1, 2011, actuarial valuation, the entry age normal actuarial method was used. The actuarial assumptions included a 4% funding interest rate and the initial medical/drug trend rate of 9%/5% initially reduced by decrements to an ultimate rate of 5% after year 2015.

NOTE 12 - DEFICIT FUND BALANCE

The Capital Projects Fund has a \$348,997 deficit fund balance at May 31, 2012. This deficit is due to the expenditure of BANS proceeds for its intended purpose without recognizing revenue during the same period. The Capital Projects Fund recognizes revenue from the proceeds of permanent financing. Proceeds from Bond Anticipation Notes (BANS) are not considered permanent financing unless the BANS are refinanced within 60 days after the end of the fiscal year or replaced by serial bonds. The capital projects fund deficit will be funded once revenue is recognized. The revenue on capital projects that are financed by BANS will be recognized when the BANS are redeemed or replaced with permanent financing from the issuance of bonds payable.

INCORPORATED VILLAGE OF MINEOLA

NOTES TO FINANCIAL STATEMENTS

AS OF MAY 31, 2012

(Continued)

NOTE 13 - RISK MANAGEMENT

The Village of Mineola is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, all of which is insured by general liability insurance. Commercial insurance policies are also obtained for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 14 - OPERATING LEASES

The Village leases property and equipment under operating leases. The maximum future non-cancelable operating lease payments are as follows:

| <u>Year Ending May 31,</u> | <u>Amount</u> |
|----------------------------|------------------|
| 2013 | \$ 26,983 |
| 2014 | 23,137 |
| 2015 | 23,137 |
| 2016 | 12,005 |
| 2017 | <u>172</u> |
| | <u>\$ 85,434</u> |

NOTE 15 - CONTINGENCIES

Management has advised us that there are a number of real estate tax certiorari cases pending. The Village has always and will continue to vigorously defend against these cases. The Village cannot estimate the liability, if any, on the outcome of these cases. However, it is anticipated that these cases will not have a material effect on the Village's financial position.

The Village is the defendant in two employment contract issues. At this time the outcome of these claims cannot be determined and the Village's liability, if any, cannot be estimated. However, it is anticipated that these issues will not have a material effect on the Village's financial position.

NOTE 16 - NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) PRONOUNCEMENTS

The Governmental Accounting Standards (GASB) has issued pronouncements not yet required to be implemented by the Village of Mineola. The Statements that will impact the Village of Mineola are as follows:

INCORPORATED VILLAGE OF MINEOLA

NOTES TO FINANCIAL STATEMENTS

AS OF MAY 31, 2012

(Continued)

NOTE 16 - NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) PRONOUNCEMENTS
(continued)

GASB Statement No. 62 - In June 2011, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting and Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA pronouncements issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements. This statement is effective for the year ending May 31, 2013.

GASB Statement No. 63 - In June 2011, GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Positions*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and the resulting net position. This statement is effective for the year ending May 31, 2013.

GASB Statement No. 65 - In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement 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. This statement is effective for the year ending May 31, 2014.

GASB Statement No. 66 - In March 2012, GASB Statement No. 65, *Technical Corrections-2012-an Amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is effective for the year ending May 31, 2014.

The Village's management has not yet determined the effect these statements will have on its financial statements.

NOTE 17 - SUBSEQUENT EVENTS

The Village has evaluated subsequent events through September 28, 2012, which is the date the financial statements were available to be issued.

On June 14, 2012 the Village sold \$11,185,000 refunding serial bonds. The Village completed the advance refunding to reduce the total debt service cash flow payments over the next 12 years by \$1,342,431 and to obtain a net present value of saving from cash flow of \$1,170,091.

INCORPORATED VILLAGE OF MINEOLA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
- BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED MAY 31, 2012

| | Budgets | | Actual | Over (Under) Revised Budget |
|--|----------------------|----------------------|----------------------|--------------------------------|
| | Original | Revised | | |
| REVENUES | | | | |
| Real Property Taxes | \$ 12,758,344 | \$ 12,779,519 | \$ 12,794,477 | \$ 14,958 |
| Other Tax Items | 60,000 | 60,000 | 53,367 | (6,633) |
| Non-Property Tax Items | 862,234 | 880,200 | 896,408 | 16,208 |
| Departmental Income | 1,047,000 | 1,032,300 | 1,080,216 | 47,916 |
| Use of Money and Property | 251,000 | 251,000 | 244,531 | (6,469) |
| Licenses and Permits | 542,000 | 677,000 | 632,609 | (44,391) |
| Fines and Forfeitures | 1,600,000 | 1,600,000 | 1,535,753 | (64,247) |
| Sale of Property and Compensation for Loss | 10,000 | 10,000 | 34,794 | 24,794 |
| Miscellaneous | 15,000 | 30,000 | 49,050 | 19,050 |
| Interfund Revenues | 230,000 | 230,000 | 230,000 | -0- |
| State Aid | 692,842 | 792,842 | 785,648 | (7,194) |
| Federal Aid | -0- | 92,699 | 92,699 | -0- |
| Total Revenues | \$ 18,068,420 | \$ 18,435,560 | \$ 18,429,552 | \$ (6,008) |

| | | | | |
|---|----------------------|----------------------|----------------------|---------------------|
| EXPENDITURES | | | | |
| General Government Support | \$ 4,094,062 | \$ 4,340,515 | \$ 4,551,257 | \$ 210,742 |
| Public Safety | 1,136,042 | 1,131,966 | 1,131,966 | -0- |
| Health | 77,000 | 76,936 | 76,936 | -0- |
| Transportation | 1,926,491 | 2,004,190 | 2,004,190 | -0- |
| Economic Assistance and Opportunity | -0- | -0- | -0- | -0- |
| Culture and Recreation | 521,290 | 526,342 | 526,342 | -0- |
| Home and Community Services | 2,379,708 | 2,519,400 | 2,519,400 | -0- |
| Employee Benefits | 3,669,847 | 3,572,239 | 3,572,239 | -0- |
| Debt Service, Principal | 1,253,387 | 1,253,387 | 1,253,387 | -0- |
| Debt Service, Interest | 501,996 | 501,988 | 501,988 | -0- |
| Total Expenditures | \$ 15,559,823 | \$ 15,926,963 | \$ 16,137,705 | \$ 210,742 |
| Excess of Revenues over Expenditures | \$ 2,508,597 | \$ 2,508,597 | \$ 2,291,847 | \$ (216,750) |

| | | | | |
|--|-----------------------|-----------------------|-----------------------|---------------------|
| OTHER FINANCING SOURCES (USES) | | | | |
| Interfund Transfers In | \$ 201,000 | \$ 201,000 | \$ 207,008 | \$ 6,008 |
| Interfund Transfers Out | (2,709,597) | (2,709,597) | (2,709,597) | -0- |
| Total Other Financing Sources and Uses | \$ (2,508,597) | \$ (2,508,597) | \$ (2,502,589) | \$ 6,008 |
| Net Increase/(Decrease) in Fund Balance | \$ -0- | \$ -0- | \$ (210,742) | \$ (210,742) |
| Fund Balance - Beginning | \$ 2,661,036 | \$ 2,661,036 | \$ 2,661,036 | \$ -0- |
| Fund Balance - Ending | \$ 2,661,036 | \$ 2,661,036 | \$ 2,450,294 | \$ (210,742) |

INCORPORATED VILLAGE OF MINEOLA
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 - BUDGET AND ACTUAL - WATER FUND
 FOR THE FISCAL YEAR ENDED MAY 31, 2012

| | Budgets | | Actual | Over (Under) Revised Budget |
|---|---------------------|---------------------|---------------------|--------------------------------|
| | Original | Revised | | |
| REVENUES | | | | |
| Departmental Income | \$ 2,423,370 | \$ 2,423,370 | \$ 2,452,111 | \$ 28,741 |
| Use of Money and Property | 8,000 | 8,000 | 4,579 | (3,421) |
| Sale of Property and Compensation for Loss | -0- | -0- | 25,736 | 25,736 |
| Miscellaneous | 7,268 | -0- | 260 | 260 |
| State Sources | -0- | -0- | -0- | -0- |
| Federal Sources | -0- | -0- | -0- | -0- |
| Total Revenues | \$ 2,438,638 | \$ 2,431,370 | \$ 2,482,686 | \$ 51,316 |
| EXPENDITURES | | | | |
| General Government Support | -0- | \$ 1,644 | \$ 1,644 | \$ -0- |
| Home and Community Services | 1,403,029 | 1,400,165 | 1,370,023 | (30,142) |
| Employee Benefits | 388,544 | 382,496 | 355,483 | (27,013) |
| Debt Service - Principal | 294,929 | 294,929 | 294,929 | -0- |
| Debt Service - Interest | 153,636 | 153,636 | 153,636 | -0- |
| Total Expenditures | \$ 2,240,138 | \$ 2,232,870 | \$ 2,175,715 | \$ (57,155) |
| Excess of Revenue over Expenditures | \$ 198,500 | \$ 198,500 | \$ 306,971 | \$ 108,471 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Interfund Transfers In | \$ 1,500 | \$ 1,500 | \$ 4,203 | \$ 2,703 |
| Interfund Transfers Out | (200,000) | (200,000) | (200,000) | -0- |
| Total Other Financing Sources and Uses | \$ (198,500) | \$ (198,500) | \$ (195,797) | \$ 2,703 |
| Net Change in Fund Balance | \$ -0- | \$ -0- | \$ 111,174 | \$ 111,174 |
| Fund Balance - Beginning | \$ 1,076,250 | \$ 1,076,250 | \$ 1,076,250 | \$ - |
| Fund Balance - Ending | \$ 1,076,250 | \$ 1,076,250 | \$ 1,187,424 | \$ 111,174 |

VILLAGE OF MINEOLA

SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

FOR THE YEAR ENDED MAY 31, 2012

| <u>Valuation Date</u> | <u>Value of Assets</u> | <u>Actuarial Liability (AAL) Entry Age</u> | <u>Unfunded AAL (UAAL)</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>UAAL as a Percentage of Covered Payroll</u> |
|-----------------------|------------------------|--|----------------------------|---------------------|------------------------|--|
| 6/1/2008 | \$ -0- | \$ 33,896,985 | \$ 33,896,985 | 0% | \$ 4,835,490 | 701.0% |
| 6/1/2011 | \$ -0- | \$ 37,739,927 | \$ 37,739,927 | 0% | \$ 5,123,392 | 736.6% |

INCORPORATED VILLAGE OF MINEOLA

COMBINING BALANCE SHEET

NON-MAJOR GOVERNMENTAL FUNDS

MAY 31, 2012

| | Special Revenue Funds | | | Total Non-Major Governmental Funds |
|--|-----------------------|------------|---------------|---------------------------------------|
| | Special Grant | Library | Swimming Pool | |
| ASSETS | | | | |
| Cash | | | | |
| Cash and Cash Equivalents | \$ 10,886 | \$ 1,214 | \$ 23,266 | \$ 35,366 |
| Receivables | | | | |
| Accounts Receivable | \$ -0- | \$ 169 | \$ 66 | \$ 235 |
| Due From Other Funds - General | -0- | 116,819 | 134,400 | 251,219 |
| Due From Other Funds - Capital Projects | -0- | -0- | -0- | -0- |
| Due From Other Funds - Trust and Agency | -0- | -0- | -0- | -0- |
| Due From Other Funds - Swimming Pool | -0- | -0- | -0- | -0- |
| Due From Other Funds - Library | -0- | -0- | -0- | -0- |
| Due From Other Governments | 106,526 | -0- | -0- | 106,526 |
| Prepaid Expenditures | -0- | -0- | -0- | -0- |
| Total Receivables | \$ 106,526 | \$ 116,988 | \$ 134,466 | \$ 357,980 |
| Total Assets | \$ 117,412 | \$ 118,202 | \$ 157,732 | \$ 393,346 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts Payable | \$ 112,706 | \$ 9,060 | \$ 7,501 | \$ 129,267 |
| Accrued Liabilities | -0- | 14,412 | 1,504 | 15,916 |
| Retainage Payable | 3,803 | -0- | -0- | 3,803 |
| Due to Employees' Retirement System | -0- | 19,831 | 3,070 | 22,901 |
| Due to Other Funds - General | -0- | -0- | -0- | -0- |
| Due to Other Funds - Water | -0- | -0- | -0- | -0- |
| Due to Other Funds - Library | -0- | -0- | -0- | -0- |
| Due to Other Funds - Debt Service | -0- | -0- | -0- | -0- |
| Deferred Revenue | -0- | -0- | 28,927 | 28,927 |
| Total Liabilities | \$ 116,509 | \$ 43,303 | \$ 41,002 | \$ 200,814 |
| Fund Balances | | | | |
| Assigned: | | | | |
| Special Grant | \$ 903 | \$ -0- | \$ -0- | \$ 903 |
| Library | -0- | 74,899 | -0- | 74,899 |
| Swimming Pool | -0- | -0- | 116,730 | 116,730 |
| Unassigned | -0- | -0- | -0- | -0- |
| Total Fund Balances | \$ 903 | \$ 74,899 | \$ 116,730 | \$ 192,532 |
| Total Liabilities and Fund Balances | \$ 117,412 | \$ 118,202 | \$ 157,732 | \$ 393,346 |

INCORPORATED VILLAGE OF MINEOLA

COMBINED SUMMARY STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED MAY 31, 2012

| | Special Revenue Funds | | | Total Non-Major Governmental Funds |
|--|-----------------------|----------------|---------------|---------------------------------------|
| | Special Grant | Library | Swimming Pool | |
| REVENUES | | | | |
| Departmental Income | \$ -0- | \$ 23,138 | \$ 61,418 | \$ 84,556 |
| Use of Money and Property | -0- | 6 | 2 | 8 |
| Sale of Property and Compensation for Loss | -0- | -0- | -0- | -0- |
| Miscellaneous | -0- | 3,328 | 350 | 3,678 |
| State Aid | -0- | 4,666 | -0- | 4,666 |
| Federal Aid | 234,084 | -0- | -0- | 234,084 |
| Total Revenues | \$ 234,084 | \$ 31,138 | \$ 61,770 | \$ 326,992 |
| EXPENDITURES | | | | |
| General Government Support | \$ -0- | \$ 2,456 | \$ 1,055 | \$ 3,511 |
| Public Safety | -0- | -0- | -0- | -0- |
| Culture and Recreation | -0- | 1,335,331 | 452,352 | 1,787,683 |
| Home and Community Services | 234,084 | -0- | -0- | 234,084 |
| Employee Benefits | -0- | 411,291 | 38,386 | 449,677 |
| Debt Service - Principal | -0- | 187,449 | 158,235 | 345,684 |
| Debt Service - Interest | -0- | 134,913 | 42,021 | 176,934 |
| Total Expenditures | \$ 234,084 | \$ 2,071,440 | \$ 692,049 | \$ 2,997,573 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ -0- | \$ (2,040,302) | \$ (630,279) | \$ (2,670,581) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | \$ -0- | \$ 2,042,134 | \$ 667,463 | \$ 2,709,597 |
| Transfers Out | -0- | -0- | (2,500) | (2,500) |
| Total Other Financing Sources and (Uses) | \$ -0- | \$ 2,042,134 | \$ 664,963 | \$ 2,707,097 |
| Net Change in Fund Balances | \$ -0- | \$ 1,832 | \$ 34,684 | \$ 36,516 |
| Fund Balances - June 1, 2011 | \$ 903 | \$ 73,067 | \$ 82,046 | \$ 156,016 |
| Fund Balances - May 31, 2012 | \$ 903 | \$ 74,899 | \$ 116,730 | \$ 192,532 |

INCORPORATED VILLAGE OF MINEOLA

SCHEDULE OF CUMULATIVE REVENUES AND EXPENDITURES - CAPITAL PROJECTS FUND

FOR THE YEAR ENDED MAY 31, 2012

| PROJECT | Adjusted Budget | Revenues | | Expenditures | | May 31, 2012 Fund Balance (Deficit) | Anticipated Revenue When BANS Redeemed | Anticipated Fund Balance if No Future Expenditures |
|---------------------------------------|---------------------|-------------------|-------------------|---------------------|---------------------|-------------------------------------|--|--|
| | | Prior Year | Current Year | Total | Prior Year | | | |
| 2007/08 Vehicles | \$ 700,000 | \$ 700,000 | \$ -0- | \$ 700,000 | \$ 693,992 | \$ 6,008 | \$ 700,000 | \$ -0- |
| 2007/08 Water Improvement | 50,000 | 50,000 | -0- | 50,000 | 47,297 | 2,703 | 50,000 | -0- |
| 2009/10 Fire Truck | 445,000 | 89,000 | 89,000 | 178,000 | 443,946 | -0- | 443,946 | (265,946) |
| 2009/10 Pool Construction | 150,000 | 30,000 | 30,000 | 60,000 | 143,051 | -0- | 143,051 | (83,051) |
| 2011/2012 Central Garage Solar Panels | 272,176 | -0- | 272,176 | 272,176 | -0- | 272,176 | 272,176 | -0- |
| Total | \$ 1,617,176 | \$ 869,000 | \$ 391,176 | \$ 1,260,176 | \$ 1,328,286 | \$ 280,887 | \$ 1,609,173 | \$ (348,997) |
| | | | | | | | \$ 357,000 | \$ 8,003 |

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 Board of Trustees
Incorporated Village of Mineola
155 Washington Avenue
Mineola, New York 11501

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Incorporated Village of Mineola, New York as of and for the year ended May 31, 2012 which collectively comprise the Incorporated Village of Mineola's basic financial statements and have issued our report thereon dated September 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

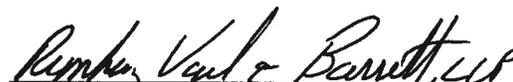
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Incorporated Village of Mineola, New York in a separate letter dated September 28, 2012.

This report is intended solely for the information and use of the Board of Trustees, management and the appropriate Federal, New York State and Nassau County, New York regulatory agencies and is not intended to be and should not be used by anyone other than those specified parties.


RYNKAR, VAIL & BARRETT, LLP

Mineola, New York
September 28, 2012