



**INCORPORATED
VILLAGE OF PATCHOGUE**

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

May 31, 2018

INCORPORATED VILLAGE OF PATCHOGUE
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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements (regulatory basis) of the Incorporated Village of Patchogue (Village), as of and for the year ended May 31, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the New York State Office of the State Comptroller, as described in Note 1, to meet the reporting requirements of New York State. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the Incorporated Village of Patchogue on the basis of the financial reporting provisions of the New York State Office of the State Comptroller, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the New York State Office of the State Comptroller.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Incorporated Village of Patchogue, as of May 31, 2018, and the respective changes in its financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental funds, fiduciary fund, account groups and discretely presented component unit of the Incorporated Village of Patchogue as of May 31, 2018, and the respective changes in financial position for the year then ended in accordance with the financial reporting provisions of the New York State Office of the State Comptroller as described in Note 1.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Incorporated Village of Patchogue’s basic financial statements. The other supplementary information on pages 24 through 31 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2018, on our consideration of the Incorporated Village of Patchogue’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Incorporated Village of Patchogue’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Incorporated Village of Patchogue’s internal control over financial reporting and compliance.

Cullen & Danowski, LLP

November 16, 2018

INCORPORATED VILLAGE OF PATCHOGUE
Balance Sheet - All Fund Types and Account Groups
 May 31, 2018

	General	Sewer	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$ 3,859,113	\$ 1,003,629	\$	\$	\$ 63,294	\$ 4,926,036
Restricted		2,052,481			55,291	2,107,772
Receivables						
Tax sale certificates	53					53
Accounts receivable	129,789					129,789
Mortgage receivable	150,000					150,000
Due from other funds	1,878,804					1,878,804
Due from component unit	25,163					25,163
Due from other governments	37,980			7,393		45,373
Total Assets	<u>\$ 6,080,902</u>	<u>\$ 3,056,110</u>	<u>\$ -</u>	<u>\$ 7,393</u>	<u>\$ 118,585</u>	<u>\$ 9,262,990</u>
LIABILITIES						
Payables						
Accounts payable	\$ 157,581	\$ 59,426	\$	\$ 162,168	\$ 17,162	\$ 396,337
Accrued liabilities	223,478	17,767			2,105	243,350
Due to other funds				1,878,804		1,878,804
Due to employees' retirement system	116,235					116,235
Notes payable						
Bond anticipation note				300,000		300,000
Unearned credits						
Collections in advance	33,747					33,747
Total Liabilities	<u>531,041</u>	<u>77,193</u>	<u>-</u>	<u>2,340,972</u>	<u>19,267</u>	<u>2,968,473</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable and deferred revenues	<u>778,530</u>	<u>202,323</u>			<u>26,388</u>	<u>1,007,241</u>
Total Deferred Inflows of Resources	<u>778,530</u>	<u>202,323</u>	<u>-</u>	<u>-</u>	<u>26,388</u>	<u>1,007,241</u>
FUND BALANCES						
Nonspendable	150,000					150,000
Restricted:						
Special projects		2,052,481			5,777	2,058,258
Parks and conservation					49,514	49,514
Assigned:						
Appropriated fund balance	600,000					600,000
Designated for parking meter project	242,799					242,799
Unappropriated fund balance	132,808	724,113			17,639	874,560
Unassigned: Fund balance (deficit)	3,645,724			(2,333,579)		1,312,145
Total Fund Balances (Deficit)	<u>4,771,331</u>	<u>2,776,594</u>	<u>-</u>	<u>(2,333,579)</u>	<u>72,930</u>	<u>5,287,276</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 6,080,902</u>	<u>\$ 3,056,110</u>	<u>\$ -</u>	<u>\$ 7,393</u>	<u>\$ 118,585</u>	<u>\$ 9,262,990</u>

INCORPORATED VILLAGE OF PATCHOGUE
Balance Sheet - All Fund Types and Account Groups (Continued)
 May 31, 2018

	Total Governmental Funds	Fiduciary Fund Agency	Account Groups		Total Village	Component Unit
			Non-Current Governmental Assets	Non-Current Governmental Liabilities		
ASSETS						
Cash						
Unrestricted	\$ 4,926,036	\$ 130,623	\$	\$	\$ 5,056,659	\$ 266,941
Restricted	2,107,772				2,107,772	
Receivables						
Tax sale certificates	53				53	
Accounts receivable	129,789				129,789	
Mortgage receivable	150,000				150,000	75,000
Due from other funds	1,878,804				1,878,804	
Due from component unit	25,163				25,163	
Due from other governments	45,373				45,373	19,645
Service award program assets		1,262,830			1,262,830	
Capital assets			85,525,156		85,525,156	118,000
Provision to be made in future budgets				10,035,276	10,035,276	
Total Assets	\$ 9,262,990	\$ 1,393,453	\$ 85,525,156	\$ 10,035,276	\$ 106,216,875	\$ 479,586
LIABILITIES						
Payables						
Accounts payable	\$ 396,337	\$	\$	\$	396,337	\$
Accrued liabilities	243,350				243,350	200
Due to other funds	1,878,804				1,878,804	
Due to primary government					-	25,163
Due to employees' retirement system	116,235				116,235	
Compensated absences				1,214,723	1,214,723	
Other liabilities		130,623			130,623	
Service award program liability		1,262,830			1,262,830	
Notes payable						
Bond anticipation notes	300,000				300,000	
Unearned credits						
Collections in advance	33,747				33,747	
Installment purchase debt				19,408	19,408	
Bonds payable				8,270,000	8,270,000	
Net pension liability - proportionate share				531,145	531,145	
Total Liabilities	2,968,473	1,393,453	-	10,035,276	14,397,202	25,363
DEFERRED INFLOWS OF RESOURCES						
Unavailable and deferred revenues	1,007,241				1,007,241	
FUND BALANCES						
Investment in non-current governmental assets			85,525,156		85,525,156	118,000
Fund balances:						
Nonspendable	150,000				150,000	75,000
Restricted:						
Special projects	2,058,258				2,058,258	
Parks and conservations	49,514				49,514	
Assigned:						
Appropriated fund balance	600,000				600,000	
Designated for parking meter project	242,799				242,799	
Unappropriated fund balance	874,560				874,560	
Unassigned: Fund balance	1,312,145				1,312,145	261,223
Total Fund Balances	5,287,276	-	85,525,156	-	90,812,432	454,223
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 9,262,990	\$ 1,393,453	\$ 85,525,156	\$ 10,035,276	\$ 106,216,875	\$ 479,586

INCORPORATED VILLAGE OF PATCHOGUE
Statement of Revenues, Expenditures and
Changes in Fund Balance - All Fund Types
For The Year Ended May 31, 2018

	General	Sewer	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Real property taxes	\$ 7,783,999				\$ 167,272	\$ 7,951,271
Other tax items	43,120	1,181,348				1,224,468
Non-property tax items	469,931					469,931
Departmental income	3,365,288	242,668			200	3,608,156
Use of money and property	96,551	3,509			90	100,150
Licenses and permits	342,289	384,222				726,511
Fines and forfeitures	589,283					589,283
Sale of property and compensation for loss	28,429					28,429
Miscellaneous	4,708	24		919,789		924,521
State sources	274,023	18,099		741,713	6,000	1,039,835
Federal sources				442,034		442,034
Total Revenues	12,997,621	1,829,870	-	2,103,536	173,562	17,104,589
EXPENDITURES						
General government support	2,602,497	301,302		180,674	4,000	3,088,473
Public safety	2,229,376			957,590	142,919	3,329,885
Health	2,000					2,000
Transportation	1,477,634					1,477,634
Economic opportunity and development					6,184	6,184
Culture and recreation	782,658			934,891		1,717,549
Home and community services	1,326,058	1,430,596		927,889		3,684,543
Employee benefits	3,464,210	247,878			6,331	3,718,419
Debt service						
Principal	175,663		755,000			930,663
Interest	9,087		249,954			259,041
Total Expenditures	12,069,183	1,979,776	1,004,954	3,001,044	159,434	18,214,391
Excess (Deficiency) of Revenues Over Expenditures	928,438	(149,906)	(1,004,954)	(897,508)	14,128	(1,109,802)
OTHER FINANCING SOURCES AND USES						
Operating transfers in			1,004,954			1,004,954
Operating transfers out	(868,192)	(136,762)				(1,004,954)
BAN redeemed				100,000		100,000
Total Other Financing Sources and Uses	(868,192)	(136,762)	1,004,954	100,000	-	100,000
Net Change in Fund Balance	60,246	(286,668)	-	(797,508)	14,128	(1,009,802)
Fund Balance (Deficit) - Beginning of year	4,711,085	3,063,262		(1,536,071)	58,802	6,297,078
Fund Balance (Deficit) - End of year	\$ 4,771,331	\$ 2,776,594	\$ -	\$ (2,333,579)	\$ 72,930	\$ 5,287,276

INCORPORATED VILLAGE OF PATCHOGUE
Statement of Revenues, Expenditures and
Changes in Fund Balance - All Fund Types (Continued)
For The Year Ended May 31, 2018

	<u>Total Governmental Funds</u>	<u>Component Unit</u>
REVENUES		
Real property taxes	\$ 7,951,271	\$
Other tax items	1,224,468	
Non-property tax items	469,931	
Departmental income	3,608,156	
Use of money and property	100,150	58
Licenses and permits	726,511	
Fines and forfeitures	589,283	
Sale of property and compensation for loss	28,429	
Miscellaneous	924,521	9,289
State sources	1,039,835	
Federal sources	442,034	2,433,154
	<u>17,104,589</u>	<u>2,442,501</u>
EXPENDITURES		
General government support	3,088,473	
Public safety	3,329,885	
Health	2,000	
Transportation	1,477,634	
Economic opportunity and development	6,184	
Culture and recreation	1,717,549	
Home and community services	3,684,543	2,500,280
Employee benefits	3,718,419	
Debt service		
Principal	930,663	
Interest	259,041	
	<u>18,214,391</u>	<u>2,500,280</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,109,802)</u>	<u>(57,779)</u>
OTHER FINANCING SOURCES AND USES		
Operating transfers in	1,004,954	
Operating transfers out	(1,004,954)	
BAN redeemed	100,000	
	<u>100,000</u>	<u>-</u>
Net Change in Fund Balance	(1,009,802)	(57,779)
Fund Balance - Beginning of year	<u>6,297,078</u>	<u>512,002</u>
Fund Balance - End of year	<u>\$ 5,287,276</u>	<u>\$ 454,223</u>

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Incorporated Village of Patchogue (Village), as of and for the year ended May 31, 2018, have been prepared in accordance with the financial reporting provisions of the New York State Office of the State Comptroller, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing GAAP for governmental units. The financial statements of the Village have been prepared using only the current financial resources measurement focus and the modified accrual basis of accounting. This method differs from GAAP, which requires the preparation of additional financial statements using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus and the accrual basis financial statements require the capitalization and depreciation of property and equipment and the recording of long-term liabilities. Under the current financial resources measurement focus and the modified accrual basis of accounting, property and equipment are recorded as an expenditure when purchased and the proceeds of long-term debt are reported as other financing sources and the payment of long-term debt and other long-term liabilities are recognized as expenditures to the extent that the liabilities mature during the year. In addition, GAAP requires the financial statements to be prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB 34 financial statements require the presentation of government-wide financial statements, management's discussion and analysis and additional required supplementary information. The accounting practices used to prepare these financial statements do not require compliance with GASB 34.

The significant accounting policies of the Village are described below:

a) Financial Reporting Entity

The Village of Patchogue, which was incorporated in 1893, is governed by Charter of the State of New York, the Village law and other general Laws of the State of New York and various local laws and ordinances. The Village is governed by the Mayor and the Board of Trustees, which is the legislative body responsible for the overall operation of the Village consisting of six members. The Mayor serves as chief executive officer and the Treasurer serves as chief fiscal officer of the Village.

The following basic services are provided: garbage collection, highway maintenance, sewage treatment in the central business district, ambulance service, several parks with organized recreational activities, programs for the aging and snow removal.

The financial reporting entity consists of (a) the primary government, which is the Village, (b) organizations, which are determined to be includable in the financial reporting entity based on legal standing, fiscal dependence and financial accountability, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB. Based on the application of these criteria, the following entity is determined to be a component unit of the Village and is presented discretely in a separate column in the financial statements to emphasize it is legally separate from the primary government.

The Village of Patchogue Community Development Agency (Agency) is a public benefit corporation created by a special act of the State Legislature in 1980 pursuant to Article 15-A of the General Municipal Law. Its purpose is to promote the sound growth and development of the Village of Patchogue through the correction of substandard, unsanitary, blighted, deteriorated or deteriorating conditions, factors and characteristics, by the clearance, replanning, reconstruction, redevelopment, subsidization, rehabilitation, restoration or conservation of such areas, the undertaking of public and private improvement of housing programs related thereto and the encouragement of participation in these programs by private enterprise.

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Members of the Agency are appointed by the Village's governing body. The Agency is delegated the responsibility, fiscal and otherwise, for administering federal, state or other grants for which the Village of Patchogue is the grantee or sub-grantee. The Agency operates, as delegated by the Village Board of Trustees and the Section 8 Existing Housing Program. The Program utilizes its annual Department of Housing and Urban Development allotment of funding for the purpose of subsidizing the rents of lower income Village residents and for program administration. The Agency is used to account for community development block grants received from the U.S. Department of Housing and Urban Development.

b) Basis of Presentation

The accounts of the Village are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. These funds and account groups are based upon the requirements of GAAP for local governmental units as prescribed by the GASB as well as the financial reporting provisions of the New York State Office of the State Comptroller. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are grouped in the financial statements in the following fund types and account groups:

i) Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is based upon the determination of financial position and changes in financial position. The following are the Village's governmental fund types:

- A. General Fund - the general fund is the principal operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.
- B. Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Village has the following special revenue funds:

Sewer Fund – used to account for transactions of the Village sewer system.

Business Improvement District Fund – used to account for transactions of the Village Business Improvement District including, but not limited to, administration, district operations, public relations and implementation of all eligible activities and district improvement in accordance with General Municipal Law.

Parks and Conservation Fund – is used to account for special assessments from subdivisions that are specifically restricted for the improvement and conservation of parklands within the Village.

The Business Improvement District Fund and the Parks and Conservation Fund are reflected as other governmental funds in the financial statements.

- C. Debt Service Fund – used to account for current payments of principal and interest on general obligation long-term debt.
- D. Capital Projects Fund - the capital projects fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

ii) Fiduciary Fund Types

Fiduciary funds consisting of agency funds are used to account for assets held by the Village in a trustee or custodial capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

iii) Account Groups

Account groups are used to establish accounting control and accountability for the Village's non-current governmental assets and non-current governmental liabilities. The account groups are not funds. They are accounting entities, not fiscal entities, and are concerned only with the measurement of financial position and not with the results of operations. The Village utilizes the following account groups:

Non-Current Governmental Assets - is used to account for land, construction in progress, buildings and improvements, and machinery and equipment of the Village.

Non-Current Governmental Liabilities - is used to account for long-term and other obligations of the Village including bonds, most obligations under lease/purchase and other financing arrangements, compensated absences, and other long-term obligation.

iv) Component Unit Funds

Community Development Agency – as described above.

c) Measurement Focus and Basis of Accounting

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

d) Use of Estimates

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

e) Property Taxes

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

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

f) Interfund Transactions

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

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

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

g) Cash and Cash Equivalents

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

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

h) Receivables

Receivables are shown net of allowance for uncollectible amounts, if any. However, no allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

i) Capital Assets

Capital assets purchased are recorded at cost as expenditures in the respective funds at time of purchase and removed when the asset is sold or retired. Such assets are accounted for in the non-current governmental assets account group. Donated assets are reported at acquisition value at the date of donation.

No depreciation has been provided on capital assets.

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

j) Collections in Advance

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

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

k) Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The Village has three items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. In subsequent periods, when the availability criterion is met, unavailable revenues are classified as revenues. The second item is property taxes and assessments received before the period for which they are levied or assessed. They are recognized as revenue in the year for which they are levied or assessed, which will be the subsequent year.

l) Employee Benefits – Compensated Absences

Compensated absences consists of unpaid accumulated vacation time and sick leave.

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods. Employees are compensated for unused accumulated vacation leave through paid time off or cash payment upon retirement, termination or death.

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Upon retirement, resignation, or death, employees may contractually receive a payment based on unused accumulated sick leave.

Pursuant to a resolution of the governing board and contractual agreements, the Village's employees are entitled to accrue a maximum of 300 days of sick leave, 4 to 6 weeks or more of vacation leave, and 4 to 6 days of personal leave. An individual who leaves the employ of the Village is entitled to be paid for unused vacation leave.

Employees upon retirement or separation (except for discharge for cause), shall be paid for unused sick leave, provided they have accrued a minimum of thirty (30) days, as follows: 60% up to 50 days, 70% from 51 days to 75 days, 80% from 76 days to 100 days, 90% from 101 days to 125 days, and 100% from 126 days to 200 days.

The liability for compensated absences has been calculated using the vesting method and an accrual for that liability is included in the non-current governmental liabilities account group. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the fund financial statements, a liability is reported in the general fund only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the Village by May 31st.

m) Other Benefits

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

Village employees may choose to participate in the Village's elective deferral compensation plan established under Internal Revenue Code Section 457.

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Village provides health insurance coverage for active employees pursuant to collective bargaining agreements and individual employment contracts.

In addition to providing pension benefits, the Village provides health insurance coverage and survivor benefits for certain retired employees and their survivors. Collective bargaining agreements and individual employment contracts determine if certain Village employees are eligible for these benefits if they reach normal retirement age while working for the Village. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Village recognizes the cost of providing benefits by recording its share of insurance premiums amounting to \$465,333 for 38 recipients as an expenditure for the fiscal year ended May 31, 2018. Of the 38 recipients, eight are surviving spouses who paid 25% or \$22,853 and two are retirees paying 50% or \$17,161.

In addition, the Village reimburses those retirees and spouses who are 65 years or older and have Medicare benefits. The amount of this expense for 28 retirees and 17 spouses was \$66,316 for the fiscal year ended May 31, 2018.

n) Short-Term Debt

The Village may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of the bonds. State law requires the BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

o) Fund Balance

The governmental fund statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used as follows:

Nonspendable – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including the long-term portion of the mortgage receivable, which is accounted for in the general fund as well as in the component unit.

Restricted – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grants, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. The Village has established the following restricted fund balances:

Reserve for Special Projects

This represents monies to be used for future sewer upgrades and capital projects. The reserve is accounted for in the sewer and business improvement district funds.

Reserve for Parks and Conservation

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

Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the Village's Board of Trustees. The purpose of the assignment must be narrower than the

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

Unassigned – Represents the residual classification for the Village's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used only to report a deficit fund balance resulting from the overspending of available resources.

Fund Balance Classification

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

The Board of Trustees shall delegate the authority to assign fund balance, for encumbrance purposes, to the person(s) to whom it has delegated the authority to sign purchase orders.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or Board approved budget revision and then from the assigned fund balance to the extent that there is an assignment and then from the unassigned fund balance.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The Village's budget policies are as follows:

The Village's administration submits a tentative budget to the Board of Trustees. The tentative budget includes proposed expenditures and the proposed means of financing for the general fund.

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

All subsequent modifications of the budget are recorded at the program line item level, and must be approved by the Board of Trustees.

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

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

adopted. During the year, the Village had \$310,649 in supplemental appropriations funded by unassigned fund balance.

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

Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

B. Encumbrances

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

C. Capital Projects Fund

The capital projects fund had a deficit fund balance of \$2,333,579 at May 31, 2018. The deficit will be funded when the Village obtains permanent financing.

3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The Village's investment policies are governed by state statutes and Village policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United State and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

Custodial credit risk is the risk that in the event of a bank failure, the Village's may be unable to recover deposits or recover collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

- A. Uncollateralized,
- B. Collateralized by securities held by the pledging financial institution, or
- C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the Village's name.

The Village's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities pledged on the Village's behalf at year end.

The Village did not have any investments at year-end or during the year. Consequently, the Village was not exposed to any material interest rate risk or foreign currency risk.

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. MORTGAGE RECEIVABLE

The Village is holding a subordinate mortgage in the amount of \$150,000, which is due on December 10, 2039 and bears no interest. The subordinate mortgage is secured by an interest in real property. The Borrower is not required to make principal or interest payments except in the event of default. On the maturity date, the entire unpaid principal balance shall be due and payable.

The Community Development Agency, a component unit of the Village, is the mortgagee to an individual residing in the Village, in the amount of \$75,000 and bears no interest. Beginning December 2028, the mortgage is to be forgiven in 10% increments for each year that the individual has occupied the residence. No amounts are due on the mortgage, unless the individual sells, rents, or otherwise fails to occupy the property, or other defaults exist under the agreement.

5. INTERFUND TRANSACTIONS

Interfund balances at May 31, 2018, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 1,903,967	\$	\$	\$ 868,192
Sewer Fund				136,762
Debt Service Fund			1,004,954	
Capital Projects Fund		1,878,804		
Community Development Agency		25,163		
Total	<u>\$ 1,903,967</u>	<u>\$ 1,903,967</u>	<u>\$ 1,004,954</u>	<u>\$ 1,004,954</u>

The transfers from the general fund and sewer fund to the debt service fund were to provide funding for debt service principal and interest payments.

6. CAPITAL ASSETS

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

	Balance			Balance
	May 31, 2017			Additions
Land	\$ 5,070,472	\$ 373,869	\$	\$ 5,444,341
Buildings	24,248,674			24,248,674
Land improvements	1,065,599	334,869		1,400,468
Infrastructure	47,584,342	2,003,049		49,587,391
Furniture, Fixtures and Equipment	4,691,801	312,931	(160,450)	4,844,282
	<u>\$ 82,660,888</u>	<u>\$ 3,024,718</u>	<u>\$ (160,450)</u>	<u>\$ 85,525,156</u>

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

	Balance May 31, 2017	Additions	Reductions	Balance May 31, 2018
Land	\$ 118,000	\$ -	\$ -	\$ 118,000

7. SHORT-TERM DEBT

Bond anticipation note activity for the year is summarized below:

	Maturity	Stated Interest Rate	Balance May 30, 2017	Issued	Redeemed	Balance May 31, 2018
BAN	3/22/18	2.00%	\$ 400,000	\$ -	(400,000)	\$ -
BAN	3/21/19	1.88%	-	300,000	-	300,000
			\$ 400,000	\$ 300,000	\$ (400,000)	\$ 300,000

Interest on short-term debt for the year was \$6,584.

8. LONG-TERM LIABILITIES

Long-term liability balances and activity for the year, excluding pension costs, are summarized below:

	Balance May 31, 2017	Additions	Reductions	Balance May 31, 2018
Long-term debt:				
Bonds payable	\$ 9,145,000	\$ -	\$ 875,000	\$ 8,270,000
Installment purchase debt	95,071		75,663	19,408
Other long-term liabilities				
Compensated absences	1,121,062	93,661		1,214,723
	\$ 10,361,133	\$ 93,661	\$ 950,663	\$ 9,504,131

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at May 31, 2018
Serial bond	12/16/2008	12/15/2018	3.00%	\$ 50,000
Serial bond	5/29/2012	6/15/2032	2.50%	900,000
NY Environmental Corp. State revenue bonds	6/7/2012	5/1/2042	3.66%	3,510,000
Serial bond	12/15/2015	7/15/2030	2.00-2.75%	2,560,000
Serial bond - refunding	2/5/2016	7/15/2021	2.00-5.00%	1,250,000
				<u>\$ 8,270,000</u>

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

Year Ending May 31,	Principal	Interest	Total
2019	\$ 825,000	\$ 195,542	\$ 1,020,542
2020	795,000	168,557	963,557
2021	800,000	143,198	943,198
2022	580,000	121,976	701,976
2023	375,000	110,088	485,088
2024 - 2028	1,830,000	441,682	2,271,682
2029 - 2033	1,545,000	247,942	1,792,942
2034 - 2038	805,000	127,908	932,908
2039 - 2042	715,000	38,528	753,528
Total	<u>\$ 8,270,000</u>	<u>\$ 1,595,421</u>	<u>\$ 9,865,421</u>

During the year ended May 31, 2018, the Village had a \$120,000 principal payment for the NY Environmental Corp. State Revenue Bond, which was forgiven and was not required to be paid back by the Village. The general fund and debt service fund have typically been used to liquidate long-term liabilities.

Installment purchase debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at May 31, 2018
Parking meters	8/15/2013	8/15/2018	4.16%	<u>\$ 19,408</u>

Year Ending May 31,	Principal	Interest	Total
2019	<u>\$ 19,408</u>	<u>134</u>	<u>\$ 19,542</u>

Interest expense on long-term debt at May 31, 2018 was \$252,457.

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

9. PENSION PLANS - NEW YORK STATE

A. Plan Description

The Village participates in the New York State and Local Employees' Retirement System (ERS). This system is a cost-sharing, multiple-employer, defined benefit pension plan. The system provides retirement, disability withdrawal and death benefits to plan members and beneficiaries related to years of service and final average salary.

B. Provisions and Administration

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

C. Funding Policy

Plan members who joined the system before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The Village's average contribution rate was 14.01% of covered payroll for the ERS' fiscal year ended March 31, 2018.

The Village's share of the required contributions, based on covered payroll paid for the Village's year ended May 31st, for the current year and two preceding years was:

<u>Year</u>	<u>ERS</u>
2018	\$ 682,756
2017	651,793
2016	759,352

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At May 31, 2018, the Village reported the following liability for its proportionate share of the net pension liability for the ERS in the non-current governmental liabilities account group. The net pension liability was measured as of March 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the ERS relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS in reports provided to the Village.

Measurement date	March 31, 2018
Village's proportionate share of the net pension liability	\$ 531,145
Village's portion of the Plan's total net pension liability	0.0164571%
Change in proportion since the prior measurement date	(0.0002542)

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Measurement date	March 31, 2018
Actuarial valuation date	April 1, 2017
Inflation	2.5%
Salary increases	3.8%
Investment rate of return (net of investment expense, including inflation)	7.0%
Cost of living adjustments	1.3%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

	ERS	
	Target Allocation	Long-term Expected Rate of Return
Measurement date		March 31, 2018
Asset type		
Domestic equity	36.0%	4.55%
International equity	14.0%	6.35%
Real estate	10.0%	5.55%
Private equities	10.0%	7.50%
Alternative investments	8.0%	3.25-5.68%
Bonds and mortgages	17.0%	1.31%
Cash	1.0%	(0.25)%
Inflation indexed bonds	4.0%	1.25%
	100.0%	

Real rates of return are net of a long-term inflation assumption of 2.5%.

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Village's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Village's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
Village's proportionate share of the net pension asset (liability)	\$ (4,018,784)	\$ (531,145)	\$ 2,419,259

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the measurement date were as follows:

	<i>(Dollars in Thousands)</i>
Measurement date	March 31, 2018
Employers' total pension liability	\$ (183,400,590)
Plan fiduciary net position	<u>180,173,145</u>
Employers' net pension liability	<u>\$ (3,227,445)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	98.24%

Payables to the Pension Plan

Employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of May 31, 2018, represent the projected employer contribution for the period of April 1, 2018 through May 31, 2018 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2018 amounted to \$116,235 of employer contributions. Employee contributions are remitted monthly.

10. PENSION PLAN - DEFERRED COMPENSATION PLAN

The Village has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The Village makes no contributions into this Plan. The amount deferred by eligible employees for the year ended May 31, 2018 totaled \$95,725.

11. SERVICE AWARD PROGRAM FOR THE PATCHOGUE FIRE DEPARTMENT

Effective January 1, 1991, the Village established a Service Award Program (the "Program") for the Patchogue Fire Department. Each active volunteer fire fighter will be included as a participant in the Program on the first January 1 following the completion of one year of service, provided the fire fighter has attained age 18. A year of service is credited for each program year in which the participant compiles at least 50 points. Points are awarded in accordance with the system adopted by the Patchogue Fire Department. The monthly accrued service award, as of any date of determination, is \$20 per month multiplied by years of service up to a maximum of 40 years, including up to 5 years of service prior to January 1, 1991.

No contributions were made to the Service Award Program as, effective January 1, 1999, the Fire Department became a separate taxing authority and is no longer a part of the Village. The Village has not had an actuarial valuation since then. The Village is responsible for those volunteer fire fighters who have vested as of December 31, 1998. The balance of the plan's assets, as of May 31, 2018, is \$1,262,830, which is accounted for in the Village's Trust & Agency fund.

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

12. ASSIGNED APPROPRIATED FUND BALANCE

The amount of \$600,000 has been appropriated to reduce taxes for the year ending May 31, 2019.

13. RISK FINANCING AND RELATED INSURANCE

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

14. TAX ABATEMENTS

The Village of Patchogue, enters into various property tax abatement programs for the purpose of economic development. The Village's property tax revenue was reduced \$475,899. The Village received payment in lieu of taxes (PILOT) payments totaling \$66,014.

15. COMMITMENTS AND CONTINGENCIES

A. Grants

The Village has received grants which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on past audits, the Village believes disallowances, if any, would be immaterial.

B. Certiorari Proceedings

From time to time, the Village is involved in certiorari proceedings under which taxpayers seek reduction in the assessed value of property upon which taxes are measured. A reduction in assessed valuation may result in a refund of real property taxes previously paid by the claimant. It is not possible to estimate the amount of refunds, if any, that the Village may be required to make for taxes collected through May 31, 2018, which could affect future operating budgets of the Village.

C. Litigation

The Village is involved in lawsuits arising from the normal conduct of its affairs. The Village believes that the outcome of any matters will not have a material effect on these financial statements.

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At May 31, 2018, the Village encumbered the following amounts:

Assigned: Unappropriated fund balance

General Fund	
General support	\$ 90,989
Public safety	84
Transportation	3,814
Culture and recreation	8,474
Home and community services	<u>29,447</u>
	132,808
Sewer Fund	33,897
Capital Projects Fund	<u>1,020,271</u>
	<u>\$ 1,186,976</u>

16. SUBSEQUENT EVENTS

The Village has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements.

INCORPORATED VILLAGE OF PATCHOGUE
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
For The Year Ended May 31, 2018

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real Property Taxes				
Real property taxes	\$ 7,784,401	\$ 7,783,999	\$ 7,783,999	\$ -
Total Real Property Taxes	7,784,401	7,783,999	7,783,999	-
Other Real Property Tax Items				
Interest and penalties	39,000	39,000	43,120	4,120
Total Other Real Property Tax Items	39,000	39,000	43,120	4,120
Non-Property Tax Items				
Utilities gross receipts tax	217,000	217,000	207,581	(9,419)
Franchise fees	240,000	240,000	250,464	10,464
Non-property tax, other	12,000	12,000	11,886	(114)
Total Non-Property Tax Items	469,000	469,000	469,931	931
Departmental Income				
Charges for tax redemption	500	500	652	152
Treasurer & Clerk fees	4,200	4,200	6,074	1,874
Personnel fees	4,000	4,000	6,560	2,560
Other departmental income	103,000	103,000	73,514	(29,486)
Safety inspection fees	100,000	100,000	95,666	(4,334)
Other public safety departmental income	267,164	267,164	269,025	1,861
Public works charges	93,000	93,000	109,548	16,548
Parking meter fees	574,000	574,000	540,014	(33,986)
Park and recreational charges	32,500	32,500	39,114	6,614
Special recreational facility charges	183,000	183,000	176,437	(6,563)
Zoning fees	7,000	7,000	4,905	(2,095)
Planning board fees	18,000	18,000	24,825	6,825
Refuse and garbage charges	2,047,752	2,018,803	2,018,954	151
Total Departmental Income	3,434,116	3,405,167	3,365,288	(39,879)
Use of Money and Property				
Interest and earnings	4,000	4,000	5,490	1,490
Rental of real property	65,750	65,750	91,061	25,311
Total Use of Money and Property	69,750	69,750	96,551	26,801
Licenses and Permits				
Licenses	30,100	30,100	33,074	2,974
Permits	282,000	282,000	309,215	27,215
Total Licenses and Permits	312,100	312,100	342,289	30,189
Fines and Forfeitures				
Fines and forfeitures	500,000	500,000	589,283	89,283
Total Fines and Forfeitures	500,000	500,000	589,283	89,283
Sale of Property and Compensation for Loss				
Minor sales	2,500	2,500	7,514	5,014
Sales, other	400	400	6,175	5,775
Insurance recoveries			14,740	14,740
Total Sale of Property and Compensation for Loss	2,900	2,900	28,429	25,529
Miscellaneous				
Refund of prior year's expenditures			4,708	4,708
Total Miscellaneous	-	-	4,708	4,708

INCORPORATED VILLAGE OF PATCHOGUE
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund (Continued)
For The Year Ended May 31, 2018

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES (Continued)				
State Aid				
Revenue sharing	\$ 105,000	\$ 105,000	\$ 104,136	\$ (864)
Mortgage tax	130,000	130,000	169,887	39,887
Total State Aid	<u>235,000</u>	<u>235,000</u>	<u>274,023</u>	<u>39,023</u>
Total Revenues	<u>12,846,267</u>	<u>12,816,916</u>	<u>12,997,621</u>	<u>\$ 180,705</u>
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	350,000	690,000		
Prior Year's Encumbrances	<u>114,090</u>	<u>114,090</u>		
Total Appropriated Fund Balance	<u>464,090</u>	<u>804,090</u>		
Total Revenues and Appropriated Fund Balance	<u>\$ 13,310,357</u>	<u>\$ 13,621,006</u>		

Note to Other Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting

INCORPORATED VILLAGE OF PATCHOGUE
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund (Continued)
For The Year Ended May 31, 2018

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES					
General Government Support					
Legislative board					
Personal services	\$ 81,000	\$ 81,000	\$ 81,000	\$	\$ -
Contractual services	2,000	1,800	915		885
Village justice court					
Personal services	194,890	182,715	179,971		2,744
Equipment	1,000	1,000	538		462
Contractual services	54,500	53,300	48,530		4,770
Traffic violations					
Personal services	62,871	62,871	60,839		2,032
Mayor					
Personal services	38,400	38,400	38,400		-
Contractual services	5,000	7,450	7,320		130
Auditor					
Contractual services	36,890	28,890	17,625	10,615	650
Treasurer					
Personal services	216,103	217,503	217,438		65
Equipment	1,000	300	120		180
Contractual services	6,800	6,400	5,833		567
Assessment					
Personal services	71,449	64,449	64,045		404
Equipment	500	-	-		-
Contractual services	5,000	8,600	5,709		2,891
Tax advertising expense					
Contractual services	600	600	558		42
Expense on Property Acquired for Taxes					
Contractual services		1,050	1,034		16
Clerk and staff					
Personal services	251,262	270,237	269,957		280
Equipment	2,000	49,000	48,763		237
Contractual services	155,000	152,600	147,945		4,655
Law					
Contractual services	141,200	141,975	141,912		63
Engineer					
Contractual services	142,900	121,900	111,016	10,239	645
Elections					
Contractual services	9,350	6,325	4,550		1,775
Buildings - village hall					
Personal services	71,049	71,049	66,082		4,967
Equipment	5,000	100	-		100
Contractual services	78,575	130,175	56,359	70,135	3,681
Central garage					
Personal services	151,917	151,917	149,372		2,545
Contractual services	279,250	244,750	241,361		3,389
Unallocated insurance					
Contractual services	275,000	303,300	303,235		65
Municipal association dues					
Contractual services	5,087	5,087	5,087		-
Purchase of property					
Contractual services		140,700	140,576		124
Refund of taxes					
Contractual services	100,000	167,900	167,738		162
Payment of MTA payroll tax					
Contractual services	18,500	18,700	18,669		31
Contingent account					
Contractual services	75,000	47			47
Total General Government Support	<u>2,539,093</u>	<u>2,732,090</u>	<u>2,602,497</u>	<u>90,989</u>	<u>38,604</u>

INCORPORATED VILLAGE OF PATCHOGUE
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund (Continued)
For The Year Ended May 31, 2018

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)					
Public Safety					
Safety administration					
Personal services	\$ 280,431	\$ 271,031	\$ 261,009	\$	\$ 10,022
Equipment	500	500	-		500
Contractual services	12,825	12,825	11,750		1,075
Traffic					
Contractual services	70,000	70,000	36,862		33,138
Parking					
Personal services	61,379	61,379	60,013		1,366
Contractual services	8,125	4,025	1,125		2,900
Safety inspections					
Personal services	1,177,563	1,183,864	1,183,388		476
Equipment	12,500	3,200	743		2,457
Contractual services	92,307	99,007	89,486	84	9,437
Miscellaneous public safety					
Contractual services	<u>585,000</u>	<u>585,000</u>	<u>585,000</u>		<u>-</u>
Total Public Safety	<u>2,300,630</u>	<u>2,290,831</u>	<u>2,229,376</u>	<u>84</u>	<u>61,371</u>
Health					
Registrar of vital statistics					
Personal services	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>		<u>-</u>
Total Health	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>-</u>
Transportation					
Street administration					
Personal services	840,544	813,444	775,873		37,571
Equipment	73,651	72,651	63,893		8,758
Contractual services	281,656	282,756	170,930		111,826
Snow removal					
Personal services	80,000	85,500	84,806		694
Equipment	4,000	5,500	5,495		5
Contractual services	61,000	72,400	72,303		97
Street lighting					
Personal services	22,000	18,500	13,323		5,177
Contractual services	247,500	261,300	251,262	916	9,122
Off street parking					
Contractual services	<u>53,500</u>	<u>63,400</u>	<u>39,749</u>	<u>2,898</u>	<u>20,753</u>
Total Transportation	<u>1,663,851</u>	<u>1,675,451</u>	<u>1,477,634</u>	<u>3,814</u>	<u>194,003</u>
Culture and Recreation					
Recreational administration					
Personal services	76,077	77,077	77,070		7
Contractual services	4,450	1,450	735		715
Parks					
Personal services	248,207	254,607	253,932		675
Equipment	15,000	17,800	17,800		-
Contractual services	82,450	90,650	72,583	8,474	9,593

INCORPORATED VILLAGE OF PATCHOGUE
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund (Continued)
For The Year Ended May 31, 2018

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)					
Playground and recreation centers					
Personal services	\$ 66,067	\$ 66,042	\$ 64,927	\$	\$ 1,115
Equipment	2,000	1,000	200		800
Contractual services	39,000	35,525	34,368		1,157
Marina & dock expense					
Personal services	11,000	11,000	9,092		1,908
Contractual services	9,170	96,170	94,890		1,280
Special recreational facility - pool					
Personal services	65,000	55,440	55,178		262
Equipment	4,000	5,000	4,920		80
Contractual services	62,800	52,860	35,241		17,619
Band concerts					
Personal services	600	100			100
Contractual services	22,650	23,350	13,281		10,069
Youth programs					
Personal services	32,000	31,300	25,595		5,705
Equipment	300				-
Contractual services	14,000	14,900	13,491		1,409
Historian					
Contractual services		100	30		70
Celebrations					
Contractual services	5,000	5,000	3,610		1,390
Adult recreation					
Personal services	7,500	7,500	1,946		5,554
Equipment	200	200			200
Contractual services	4,400	4,400	3,769		631
Total Culture and Recreation	<u>771,871</u>	<u>851,471</u>	<u>782,658</u>	<u>8,474</u>	<u>60,339</u>
Home and Community Services					
Zoning board of appeals					
Personal services	11,000	11,600	11,563		37
Contractual services	13,900	13,300	8,512		4,788
Planning board					
Personal services	22,000	21,050	19,000		2,050
Contractual services	19,231	17,850	11,151		6,699
Storm sewers					
Contractual services	32,500	87,831	55,712	29,447	2,672
Refuse					
Personal services	631,785	641,737	641,168		569
Equipment	5,000				-
Contractual services	552,660	528,760	493,094		35,666
Street cleaning					
Personal services	77,677	82,177	81,921		256
Contractual services	10,000	5,500	3,937		1,563
Total Home and Community Services	<u>1,375,753</u>	<u>1,409,805</u>	<u>1,326,058</u>	<u>29,447</u>	<u>54,300</u>

INCORPORATED VILLAGE OF PATCHOGUE
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund (Continued)
For The Year Ended May 31, 2018

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)					
Employee Benefits					
State employee retirement	\$ 637,019	\$ 614,019	\$ 612,907	\$	\$ 1,112
Local pension fund	186,000	290,900	290,866		34
Social security and Medicare	431,528	431,528	372,574		58,954
Workers compensation	603,000	539,700	535,703		3,997
Unemployment insurance	10,000	16,000	15,631		369
Disability insurance	100	100			100
Hospital and medical insurance	1,662,819	1,662,819	1,591,072		71,747
Other benefits	73,000	46,300	45,457		843
Total Employee Benefits	<u>3,603,466</u>	<u>3,601,366</u>	<u>3,464,210</u>	-	<u>137,156</u>
Debt Services					
Principal	817,500	180,000	175,663		4,337
Interest	236,193	9,800	9,087		713
Total Debt Service	<u>1,053,693</u>	<u>189,800</u>	<u>184,750</u>	-	<u>5,050</u>
Total Expenditures	13,310,357	12,752,814	12,069,183	132,808	550,823
OTHER USES					
Operating Transfers Out		868,192	868,192		-
Total Expenditures and Other Uses	<u>\$ 13,310,357</u>	<u>\$ 13,621,006</u>	<u>12,937,375</u>	<u>\$ 132,808</u>	<u>\$ 550,823</u>
Net Change in Fund Balance			60,246		
Fund Balance - Beginning of Year			<u>4,711,085</u>		
Fund Balance - End of Year			<u>\$ 4,771,331</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

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

INCORPORATED VILLAGE OF PATCHOGUE
Combining Balance Sheet - Other Governmental Funds
 May 31, 2018

	Business Improvement District	Park and Conservation	Total Governmental Funds
ASSETS			
Cash			
Unrestricted	\$ 63,294	\$	\$ 63,294
Restricted	5,777	49,514	55,291
Total Assets	\$ 69,071	\$ 49,514	\$ 118,585
LIABILITIES			
Payables			
Accounts payable	\$ 17,162	\$	\$ 17,162
Accrued liabilities	2,105		2,105
Total Liabilities	19,267	-	19,267
DEFERRED INFLOWS OF RESOURCES			
Unavailable and deferred revenues	26,388		26,388
Total Deferred Inflows of Resources	26,388	-	26,388
Fund balances:			
Restricted:			
Special projects	5,777		5,777
Parks and conservations		49,514	49,514
Assigned:			
Unappropriated fund balance	17,639		17,639
Total Fund Balances (Deficit)	23,416	49,514	72,930
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 69,071	\$ 49,514	\$ 118,585

INCORPORATED VILLAGE OF PATCHOGUE
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Other Governmental Funds
For The Year Ended May 31, 2018

	Business Improvement District	Parks and Conservation	Total Governmental Funds
REVENUES			
Real property taxes	\$ 167,272	\$	\$ 167,272
Departmental income	200		200
Use of money and property	90		90
State sources	6,000	-	6,000
Total Revenues	173,562	-	173,562
EXPENDITURES			
General government support	4,000		4,000
Public safety	142,919		142,919
Economic opportunity and development	6,184		6,184
Employee benefits	6,331	-	6,331
Total Expenditures	159,434	-	159,434
Excess (Deficiency) of Revenues Over Expenditures	14,128	-	14,128
Fund Balance - Beginning of year	9,288	49,514	58,802
Fund Balance - End of year	\$ 23,416	\$ 49,514	\$ 72,930



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Incorporated Village of Patchogue (Village), as of and for the year ended May 31, 2018, and the related notes to financial statements, as listed in the table of contents, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 16, 2018. As described more fully in Note 1, the Incorporated Village of Patchogue has prepared these financial statements in accordance with the financial reporting provisions of the New York State Office of the State Comptroller, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we have reported to the Board of Trustees and management of the Incorporated Village of Patchogue in a separate letter dated November 16, 2018.

Purpose of this Report

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

Cullen & Danowski, LLP

November 16, 2018

