



**INCORPORATED
VILLAGE OF PATCHOGUE**

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

May 31, 2019

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 the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the total non-major funds and the fiduciary funds of the Incorporated Village of Patchogue (Village), as of and for the year ended May 31, 2019, and the related notes to financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Governmental Activities

The Village did not obtain an actuarial valuation to comply with the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the United States of America require that state and local governments recognize liabilities, deferred outflows of resources, deferred inflows of resources, and expenses for other postemployment benefits (OPEB). In addition, the Village did not obtain an actuarial valuation to comply with the requirements of GASB Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* in connection with the Village sponsored Length of Service Award Program. Accounting principles accepted in the United States of America require that state and local governments recognize liabilities, deferred outflows of resources, deferred inflows of resources, and expenses for pensions. The Village also has not recorded depreciation expense on capital assets. Accounting principles generally accepted in the United States of America require that all capital assets, including general infrastructure be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which these departures would affect assets, liabilities, deferred outflows of resources, deferred inflows of resources, net position, and expenses of the governmental activities has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matters described in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above, do not present fairly, the financial position of the governmental activities of the Incorporated Village of Patchogue, as of May 31, 2019, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, the total non-major funds and the fiduciary funds of the Incorporated Village of Patchogue, as of May 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As described in Note 2 to the financial statements, "Changes in Accounting Principles", the Village has adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of revenues, expenditures and changes in fund balance – budget and actual – sewer fund, schedule of the Village's proportionate share of the net pension liability, and schedule of Village pension contributions on pages 4 through 15 and 44 through 50, respectively, 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.

Management has omitted the schedule of changes in the Village's service award program liability and the schedule of changes in the Village's total OPEB liability and related ratios that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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 51 through 52 is presented for purposes of additional analysis and is not a required part of the basic financial statements and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 December 5, 2019 on our consideration of the Incorporated Village of Patchogue'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 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

December 5, 2019

**INCORPORATED VILLAGE OF PATCHOGUE
MANAGEMENT’S DISCUSSION AND ANALYSIS**

The Incorporated Village of Patchogue’s discussion and analysis of the financial performance provides an overall review of the Village’s financial activities for the fiscal year ended May 31, 2019 in comparison with the year ended May 31, 2018, with emphasis on the current year. This should be read in conjunction with the financial statements and notes, which immediately follow this section.

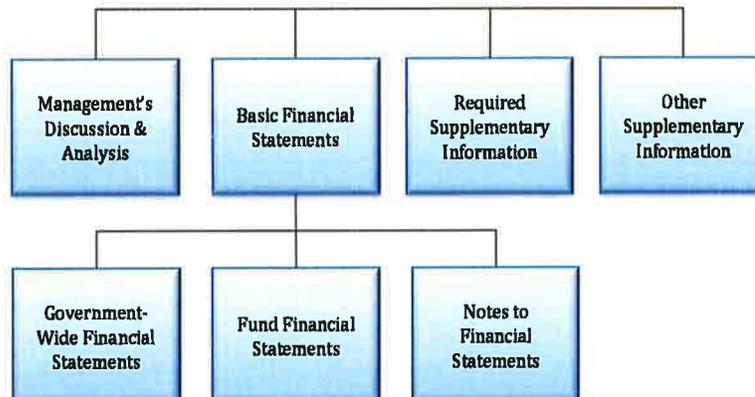
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2019 are as follows:

- The Village’s total net position at May 31, 2018 was restated and decreased by \$8,757,617, as a result of the required implementation of GASB accounting standards during the 2019 fiscal year. The general fund – fund balance was also restated and increased by \$1,262,830, as a result of the implementation of the GASB standards.
- The Village’s total net position, as reflected in the government-wide financial statements, increased by \$4,575,698. This was due to an excess of revenues over expenses based on the economic resources measurement focus and the accrual basis of accounting. However, it should be noted that the Statement of Net Position excludes accumulated depreciation, service award liability and total OPEB liability for both years. Additionally, the change in net position omits depreciation expense, service award expense and OPEB expense.
- The Village’s expenses for the year, as reflected in the government-wide financial statements, totaled \$16,848,229. Of this amount \$9,383,123 was offset by program charges for services, as well as operating and capital grants. General revenues of \$12,040,804 amount to 56.2% of total revenues, and were adequate to cover the balance of program expenses.
- The general fund’s total fund balance, as reflected in the fund financial statements, increased by \$934,401. This was due to an excess of revenues over expenditures and other financing uses based on the current financial resources measurement focus and the modified accrual basis of accounting.
- The Village redeemed \$100,000 in BANs from appropriations in the current year.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management’s discussion and analysis (MD&A), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements consist of government-wide financial statements, fund financial statements, and notes to financial statements. A graphic display of the relationship of these statements follows:



INCORPORATED VILLAGE OF PATCHOGUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

A. Government-Wide Financial Statements

The government-wide financial statements present the governmental activities of the Village and are organized to provide an understanding of the fiscal performance of the Village as a whole in a manner similar to a private sector business. There are two government-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the Village's finances.

These statements utilize the economic resources measurement focus and the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the Village's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Revenues are recognized in the period when they are earned and expenses are recognized in the period when the liability is incurred. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the Village's funds, not the Village as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the Village are reported in the governmental funds and the fiduciary fund.

Governmental Funds

These statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period in which the Village incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, compensated absences, and pension costs, which are recognized as expenditures to the extent the related liabilities mature each period.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the Village's operations and the services it provides.

INCORPORATED VILLAGE OF PATCHOGUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the Village's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains seven individual governmental funds, four major and three non-major. The major funds: general fund, sewer fund, community development agency and capital projects fund, are presented separately in the fund financial statements. The non-major funds: business improvement Village fund, parks and conservation fund and debt service fund, are combined on the fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Village in its capacity as agent or trustee and utilize the economic resources measurement focus and the accrual basis of accounting. All of the Village's fiduciary activities are reported in a separate statement. The fiduciary activities have been excluded from the government-wide financial statements because the Village cannot use these assets to finance its operations.

C. Blended Component Unit

Certain Component Units, being legally separated from the primary government, are reported as if they were part of the primary government because they provide services exclusively to the Village and thus are reported as if they were part of the primary government. The blended component unit is the Community Development Agency and is reported as a major government fund.

3. FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

A. Net Position

The Village's total net position increased by \$4,575,698 between fiscal year 2019 and 2018. The May 31, 2018 net position has been decreased by \$8,757,617, resulting from the implementation of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. In addition it should be noted that the Statement of Net Position does not include accumulated depreciation, service award liability and total OPEB liability. A summary of the Village's Statements of Net Position follows:

	<u>2019</u>	<u>As Restated 2018</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Assets				
Current and Other Assets	\$ 10,263,126	\$ 8,983,439	\$ 1,279,687	14.24 %
Capital Assets	88,413,993	85,643,156	2,770,837	3.24 %
Total Assets	<u>98,677,119</u>	<u>94,626,595</u>	<u>4,050,524</u>	4.28 %
Deferred Outflows of Resources	<u>699,784</u>	<u>1,505,927</u>	<u>(806,143)</u>	(53.53)%

INCORPORATED VILLAGE OF PATCHOGUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

	2019	As Restated 2018	Increase (Decrease)	Percentage Change
Liabilities				
Current and Other Liabilities	\$ 1,114,015	\$ 1,158,484	\$ (44,469)	(3.84)%
Long-Term Liabilities	8,725,104	9,504,131	(779,027)	(8.20)%
Net Pension Liability - Proportionate Share	<u>1,090,455</u>	<u>531,145</u>	<u>559,310</u>	105.30 %
Total Liabilities	<u>10,929,574</u>	<u>11,193,760</u>	<u>(264,186)</u>	(2.36)%
Deferred Inflows of Resources	<u>1,362,593</u>	<u>2,429,724</u>	<u>(1,067,131)</u>	(43.92)%
Net Position				
Net Investment in Capital Assets	80,768,994	77,053,748	3,715,246	4.82 %
Restricted	3,503,081	3,370,602	132,479	
Unrestricted	<u>2,812,661</u>	<u>2,084,688</u>	<u>727,973</u>	34.92 %
Total Net Position	<u>\$ 87,084,736</u>	<u>\$ 82,509,038</u>	<u>\$ 4,575,698</u>	5.55 %

Current and other assets increased by \$1,279,687, as compared to the prior year. This was primarily the result of increases in due from state and federal of \$602,326, the service award program asset of \$288,022, and cash of \$312,546. The increase in due from state and federal is due to the Village being awarded a DASNY grant for repairs to the jetty in the current year. All work and claims for reimbursement were completed in May, however, the reimbursement was not received until after year end. The increase in the service award program assets is mainly attributable to the Village's plan contribution of \$250,000.

Capital assets increased by \$2,770,837, as compared to the prior year. This increase is the result of capital asset additions in excess of current year disposals. The capital assets do not include accumulated depreciation as required by GAAP. The accompanying Notes to Financial Statements, Note 9 "Capital Assets" provides additional information.

Deferred outflows of resources represents contributions to the State pension plan subsequent to the measurement date and actuarial adjustments of the State pension plan that will be amortized in future years.

Current and other liabilities decreased by \$44,469, as compared to the prior year. This was primarily the result of the balance of bond anticipation notes decreasing from the prior year by \$100,000 (\$200,000 and \$300,000 in 2019 and 2018, respectively).

Long-term liabilities decreased by \$779,027, as compared to the prior year. This is mainly attributable to the decrease in bonds payable and installment purchase debt payable of \$844,408, as the result of principal payments. This decrease was offset by an increase in compensated absences payable of \$65,381.

Net pension liability – proportionate share increased by \$559,310 in the current year. This liability represents the Village's share of the New York State and Local Employees' Retirement System's net pension liability, at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 13 "Pension Plans – New York State" provides additional information.

INCORPORATED VILLAGE OF PATCHOGUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Deferred inflows of resources represents actuarial adjustments of the State pension plan that will be amortized in future years, and property taxes collected for which the Village has not yet levied as of May 31, 2019.

The net investment in capital assets is the investment in capital assets at cost such as land; buildings; improvements other than buildings, equipment and infrastructure, net of related outstanding debt. This number increased by \$3,715,246 over the prior year.

The restricted amount of \$3,503,081 relates to the Village's reserves and restricted fund balance. This number increased over the prior year by \$132,479 principally due to the net increase in the amounts restricted for the Village sponsored LOSAP for volunteers of the Village fire department, offset by the net decrease in the amounts restricted for special projects.

The unrestricted amount of \$2,812,661 relates to the balance of the Village's net position. This balance does not include the Village's reserves, which are classified as restricted. This balance increased over the prior year by \$727,973.

B. Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities in a programmatic format. A summary of this statement for the years ended May 31, 2019 and 2018 is as follows:

	2019	2018	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 3,790,600	\$ 3,665,971	\$ 124,629	3.40 %
Operating Grants	3,431,036	3,352,943	78,093	2.33 %
Capital Grants	2,161,487	759,812	1,401,675	184.48 %
General Revenues				
Property Taxes	8,239,161	7,951,271	287,890	3.62 %
State Sources	251,950	280,023	(28,073)	(10.03)%
Other	3,549,693	3,655,721	(106,028)	(2.90)%
Total Revenues	<u>21,423,927</u>	<u>19,665,741</u>	<u>1,758,186</u>	8.94 %
Expenses				
General government support	4,026,352	3,746,128	280,224	7.48 %
Public safety	3,425,954	3,425,482	472	0.01 %
Health	3,468	3,409	59	1.73 %
Transportation	2,301,188	2,142,092	159,096	7.43 %
Econ. opportunity & develop.	67,671	69,010	(1,339)	(1.94)%
Culture and recreation	1,022,646	1,126,188	(103,542)	(9.19)%
Home and community	5,809,692	6,046,193	(236,501)	(3.91)%
Debt Service - Interest	191,258	327,656	(136,398)	(41.63)%
Total Expenses	<u>16,848,229</u>	<u>16,886,158</u>	<u>(37,929)</u>	(0.22)%
Change in Net Position	<u>\$ 4,575,698</u>	<u>\$ 2,779,583</u>	<u>\$ 1,796,115</u>	64.62 %

**INCORPORATED VILLAGE OF PATCHOGUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

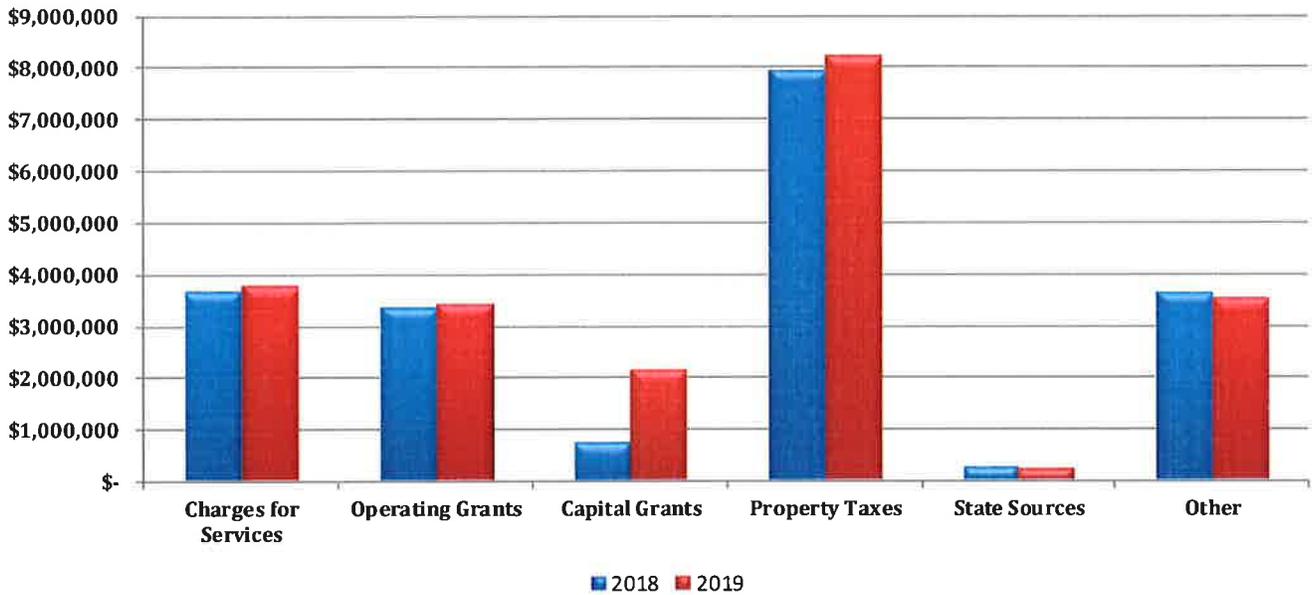
The Village's net position increased by \$4,575,698 and \$2,779,583 for the years ended May 31, 2019 and 2018, respectively. The change in net position omits depreciation expense, service award expense and OPEB expense.

The Village's revenues increased \$1,758,186 over the prior year. The increase is mainly attributable to increases in capital grants of \$1,401,675 and property taxes of \$287,890. The increase in capital grants is the result of increased DASNY grants for various repair projects.

Expenses decreased \$37,929 from the prior year. The largest decrease was in home and community expenses (\$236,501), offset by the largest increase in general government support (\$280,224). The decrease in home and community is primarily due to the Village repaving roads in the prior year due to sewer repairs, which cost approximately \$341,000. The remaining repairs needed in the current year only cost approximately \$59,000, a decrease of approximately \$282,000. The increase in general government support was mainly due to the Village starting a sewer reconstruction project, which required the services of an engineer during the current year.

As indicated on the graphs that follow, real property taxes is the largest component of revenues recognized (i.e., 38.5% and 40.4% of the total for the years 2019 and 2018, respectively). Home and community expenses is the largest category of expenses incurred (i.e., 34.5% and 35.8% of the total for the years 2019 and 2018, respectively).

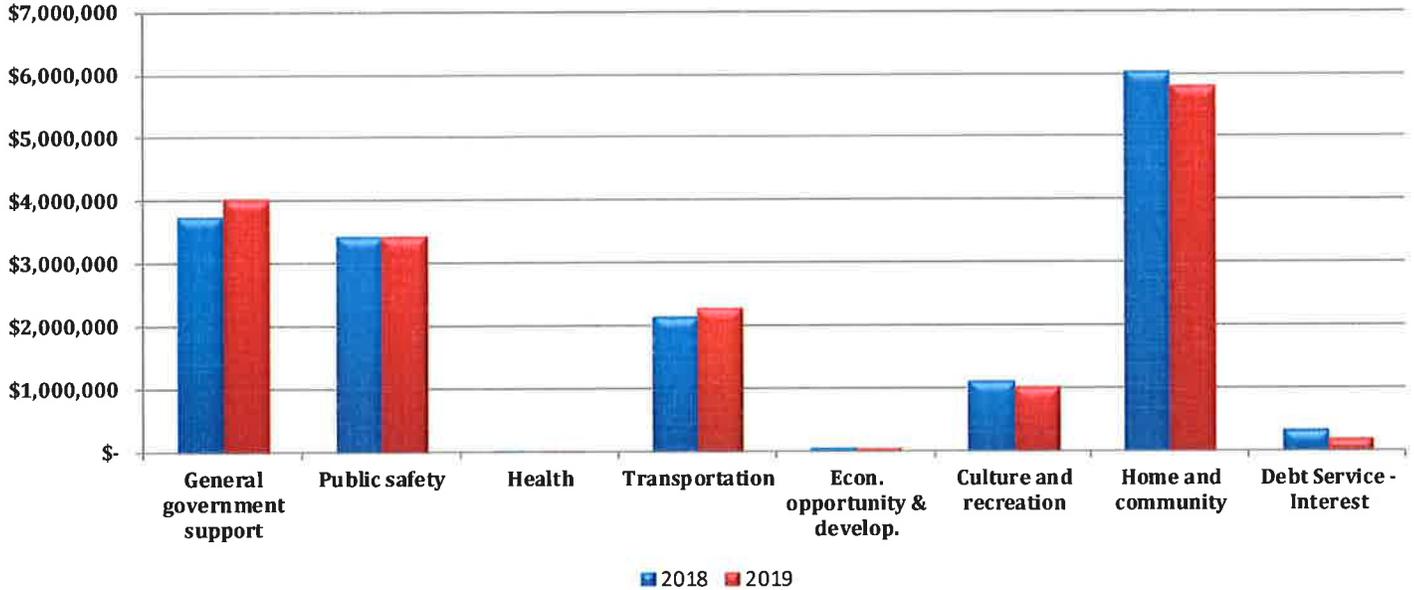
A graphic display of the distribution of revenues for the two years follows:



	Charges for Services	Operating Grants	Capital Grants	Property Taxes	State Sources	Other
2018	18.6%	17.0%	3.9%	40.4%	1.4%	18.7%
2019	17.7%	16.0%	10.1%	38.5%	1.2%	16.5%

**INCORPORATED VILLAGE OF PATCHOGUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

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



	General government support	Public safety	Health	Transportation	Econ. opportunity & develop.	Culture and recreation	Home and community	Debt Service - Interest
2018	22.2%	20.3%	0.0%	12.7%	0.4%	6.7%	35.8%	1.9%
2019	23.9%	20.3%	0.0%	13.7%	0.4%	6.1%	34.5%	1.1%

4. FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

At May 31, 2019, the Village's governmental funds reported a combined fund balance of \$7,895,747, which is an increase of \$1,009,418 over the prior year. This increase is due to an excess of revenues over expenditures based upon the current financial resources measurement focus and the modified accrual basis of accounting. The May 31, 2018 general fund - fund balance was restated and increased by \$1,262,830. The accompanying Notes to Financial Statements, Note 19 "Restatement of Net Position and Fund Balance" provides additional information. A summary of the change in fund balance by fund is as follows:

	2019	As Restated 2018	Increase (Decrease)
General Fund			
Nonspendable: Prepays	\$ 150,000	\$ 150,000	\$ -
Restricted: Service award program	1,550,852	1,262,830	288,022
Assigned:			
Appropriated fund balance	460,000	600,000	(140,000)
Designed for parking meter project	574,403	242,799	331,604
Unappropriated fund balance	130,813	132,808	(1,995)
Unassigned: Fund balance	4,102,494	3,645,724	456,770
	<u>6,968,562</u>	<u>6,034,161</u>	<u>934,401</u>
Sewer Fund			
Restricted: Special projects	1,946,596	2,052,481	(105,885)
Assigned: Unappropriated fund balance	663,850	724,113	(60,263)
	<u>2,610,446</u>	<u>2,776,594</u>	<u>(166,148)</u>

INCORPORATED VILLAGE OF PATCHOGUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

	2019	As Restated 2018	Increase (Decrease)
Community Development Agency			
Nonspendable: Prepaids	\$ 75,000	\$ 75,000	\$ -
Assigned: Unappropriated fund balance	264,835	261,223	3,612
	<u>339,835</u>	<u>336,223</u>	<u>3,612</u>
Capital Projects Fund			
Unassigned: Fund balance (deficit)	<u>(2,055,988)</u>	<u>(2,333,579)</u>	<u>277,591</u>
Other Governmental Funds			
Business Improvement District			
Restricted: Special projects	5,253	5,777	(524)
Assigned: Unappropriated fund balance	27,259	17,639	9,620
	<u>32,512</u>	<u>23,416</u>	<u>9,096</u>
Parks and Conservation			
Restricted: Parks and conservation	<u>380</u>	<u>49,514</u>	<u>(49,134)</u>
Total Fund Balance	<u>\$ 7,895,747</u>	<u>\$ 6,886,329</u>	<u>\$ 1,009,418</u>

A. General Fund

The net change in the general fund - fund balance is an increase of \$934,401, compared to a \$60,246 increase in the prior year, as revenues of \$13,758,746 exceeded expenditures and other uses of \$12,824,345. Revenues increased by \$761,125 (5.86%) over fiscal 2018 totals, primarily because of the increases in real property taxes of \$289,711, miscellaneous revenues of \$296,151, and departmental income of \$166,396. Expenditures and other uses decreased \$113,030 (0.87%) from fiscal 2018 totals, primarily due to decreases in culture and recreation of \$105,461 and home and community of \$12,155.

B. Sewer Fund

The net change in the sewer fund - fund balance is a decrease of \$166,148, compared to a \$286,668 decrease in the prior year, as expenditures and other uses of \$1,985,377 exceeded revenues of \$1,819,229. Revenues decreased by \$10,641 (0.58%) from fiscal 2018 totals, primarily because of the decrease in licenses and permits of \$248,141, offset by increases in other tax items of \$190,356, departmental income of \$27,056, and use of money and property of \$20,069. Expenditures and other uses decreased \$131,161 (6.20%) from fiscal 2018 totals, primarily due to a decrease in home and community of \$457,917, offset by increases in general government of \$232,780 and operating transfers out of \$91,133.

C. Community Development Fund

The net change in community development fund balance is an increase of \$3,612, compared to a \$57,779 decrease in the prior year, as revenues of \$2,557,868 exceeded expenditures of \$2,554,256. Revenues increased by \$115,367 (4.72%) over fiscal 2018 totals, mainly because of the increase in federal aid of \$113,413. Expenditures increased \$53,976 (2.16%) over fiscal 2018 totals, mainly because of the increase in employee benefits of \$71,385, offset by a decrease in home and community of \$17,409.

INCORPORATED VILLAGE OF PATCHOGUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

D. Capital Projects Fund

The capital projects fund - fund deficit decreased by \$277,591 as compared to the prior year, as revenues and other sources of \$3,216,101 exceeded expenditures related to capital projects in the amount of \$2,938,510.

E. Business Improvement District Fund

The net change in the business improvement Village fund – fund balance is an increase of \$9,096. This resulted from revenues in excess of expenditures.

F. Parks & Conservation Fund

The net change in the parks and conservation fund – fund balance is a decrease of \$49,134. This resulted from expenditures in excess of revenues.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2018-2019 Budget

The Village's general fund adopted budget for the year ended May 31, 2019 was \$13,607,953. This amount was increased by encumbrances carried forward from the prior year in the amount of \$132,808 and budget revisions in the amount of \$123,671 for a total final budget of \$13,864,432.

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$8,073,710 in estimated property taxes.

B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)

The general fund's unassigned fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves, appropriations to fund the subsequent year's budget, encumbrances and amounts classified as nonspendable. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	\$ 3,645,724
Fund Balance Appropriated for Budget Revision	(110,756)
Revenues Over Budget	737,878
Expenditures and Encumbrances Under Budget	909,274
Net Change in Restricted Fund Balance	(288,022)
Change in Assigned Fund Balance	(331,604)
Apropriated for the 2020 Budget	<u>(460,000)</u>
Closing, Unassigned Fund Balance	<u>\$ 4,102,494</u>

INCORPORATED VILLAGE OF PATCHOGUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Opening, Unassigned Fund Balance

The \$3,645,724 shown in the table is the portion of the Village's May 31, 2018 fund balance that was retained as unassigned.

Fund Balance Appropriated for Budget Revision

The Village appropriated an additional \$110,756 of unassigned fund balance during 2018-2019 to partially fund the budget for the year ended May 31, 2019 for unanticipated expenditures.

Revenues Over Budget

The 2018-2019 final budget for revenues was \$13,020,868. Actual revenues recognized for the year were \$13,758,746. The excess of actual revenue over estimated or budgeted revenue was \$737,878, which contributes directly to the change to the general fund unassigned fund balance from May 31, 2018 to May 31, 2019.

Expenditures and Encumbrances Under Budget

The 2018-2019 final budget for expenditures, including prior year open encumbrances as of May 31, 2018, was \$13,864,432. Actual expenditures as of May 31, 2019 were \$12,824,345 and outstanding encumbrances were \$130,813. Combined, the expenditures plus encumbrances for 2018-2019 were \$12,955,158. The final budget was under expended by \$909,274. This under expenditure contributes directly to the change to the general fund unassigned fund balance from May 31, 2018 to May 31, 2019.

Net Change in Restricted Fund Balance

The \$(288,022) shown in the table represents the change in the service award program assets.

Change in Assigned Fund Balance

The Village has chosen to assign \$331,604 of its available fund balance to fund the assignment for parking meter project, as such, the unassigned portion of the May 31, 2019 fund balance must be decreased by this amount.

Appropriated Fund Balance

The Village has chosen to use \$460,000 of the available May 31, 2019 unassigned fund balance to partially fund the 2019-2020 approved operating budget. As such, the May 31, 2019 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance at May 31, 2019 was \$4,102,494.

INCORPORATED VILLAGE OF PATCHOGUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

6. CAPITAL ASSETS, DEBT ADMINISTRATION AND OTHER LONG-TERM LIABILITIES

A. Capital Assets

At May 31, 2019, the Village had invested in a broad range of capital assets, as indicated in the table below. The increase in capital assets is due to capital assets additions of \$2,835,525, offset by current year disposals recorded for the year ended May 31, 2019. A summary of the Village's capital assets at May 31, 2019 and 2018 is as follows:

	2019	2018	Increase (Decrease)
Land	\$ 7,026,628	\$ 5,562,341	\$ 1,464,287
Buildings	24,740,173	24,248,674	491,499
Improvements Other Than Buildings	1,500,793	1,400,468	100,325
Equipment	5,198,087	4,844,282	353,805
Infrastructure	49,948,312	49,587,391	360,921
Capital assets	<u>\$ 88,413,993</u>	<u>\$ 85,643,156</u>	<u>\$ 2,770,837</u>

B. Debt Administration

At May 31, 2019, the Village had total bonds payable of \$7,445,000. The decrease in outstanding debt represents principal payments. There were no new issuances of long-term debt during the year ended May 31, 2019. A summary of the outstanding debt at May 31, 2019 and 2018 is as follows:

Issue Date	Interest Rate	2019	2018	Increase (Decrease)
12/16/2008	3.00%	\$	\$ 50,000	\$ (50,000)
5/29/2012	2.50%	850,000	900,000	(50,000)
6/7/2012	3.66%	3,390,000	3,510,000	(120,000)
12/15/2015	2.00-2.75%	2,300,000	2,560,000	(260,000)
2/5/2016	2.00-5.00%	905,000	1,250,000	(345,000)
		<u>\$ 7,445,000</u>	<u>\$ 8,270,000</u>	<u>\$ (825,000)</u>

C. Other Long-Term Liabilities

Included in the Village's long-term liabilities are the estimated amounts due for compensated absences and net pension liability – proportionate share. The compensated absences liability is based on employment contracts, while the net pension liability – proportionate share is based on an actuarial valuation.

	2019	2018	Increase (Decrease)
Compensated absences	\$ 1,280,104	\$ 1,214,723	\$ 65,381
Net pension liability - proportionate share	1,090,455	531,145	559,310
	<u>\$ 2,370,559</u>	<u>\$ 1,745,868</u>	<u>\$ 624,691</u>

The Village's latest underlying, long-term credit rating from Standard & Poor's Corporation is AA. The Village's outstanding serial bonds at May 31, 2019 are approximately 9.27% of the Village's debt limit.

INCORPORATED VILLAGE OF PATCHOGUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The Board of Trustees approved a \$13,894,211 general fund budget, \$1,919,898 sewer fund budget, and \$165,300 business improvement district fund budget for a total budget of \$15,979,409 for the year ending May 31, 2020. This is an increase of \$581,523 or 3.78% over the previous year's budget. The increase is principally in debt service payments.

B. Future Budgets

Significant increases in costs of health insurance, the property tax cap, and uncertainty in state aid and federal funds will greatly impact the Village's future budgets.

C. Tax Cap

New York State law limits the increase in the property tax levy of local governments to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. Local governments may override the tax levy limit by first passing a local law that allows for the tax levy limit to be exceeded. The override vote requires 60% vote of the total voting power of the governing board. Based on the law, the Village's tax levy cap for 2019-2020 was 1.43%. The Village's increase of 3.78% in the 2019-2020 levy exceeded the tax cap and was authorized by the Board of Trustees, as permitted by law.

8. CONTACTING THE VILLAGE

This financial report is designed to provide the reader with a general overview of the Village's finances and to demonstrate the Village's accountability for the funds it receives. Requests for additional information can be directed to:

Anne Marie Monte
Deputy Treasurer
Incorporated Village of Patchogue
14 Baker Street
Patchogue, NY 11772

INCORPORATED VILLAGE OF PATCHOGUE
Statement of Net Position
May 31, 2019

ASSETS

Cash	
Unrestricted	\$ 5,661,066
Restricted	1,952,229
Receivables	
Accounts receivable	81,579
Taxes receivable	53
Mortgage receivable	225,000
Due from state and federal	602,326
Due from other governments	190,021
Service award program	1,550,852
Capital assets	<u>88,413,993</u>
 Total Assets	 <u>98,677,119</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	<u>699,784</u>
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LIABILITIES

Payables	
Accounts payable	488,769
Accrued liabilities	301,935
Due to other governments	1,319
Due to employees' retirement system	109,542
Notes payable: Bond anticipation	200,000
Unearned credits: Collections in advance	12,450
Long-term liabilities	
Due and payable within one year	
Bonds payable	795,000
Due and payable after one year	
Bonds payable	6,650,000
Compensated absences payable	1,280,104
Net pension liability - proportionate share	<u>1,090,455</u>
 Total Liabilities	 <u>10,929,574</u>

DEFERRED INFLOWS OF RESOURCES

Deferred property taxes	954,170
Pensions	<u>408,423</u>
 Total Deferred Inflows of Resources	 <u>1,362,593</u>

NET POSITION

Net investment in capital assets	<u>80,768,994</u>
Restricted:	
Service award program	1,550,852
Special projects	1,951,849
Parks and conservation	380
	<u>3,503,081</u>
Unrestricted	<u>2,812,661</u>
 Total Net Position	 <u>\$ 87,084,736</u>

INCORPORATED VILLAGE OF PATCHOGUE
Statement of Activities
For the Year Ended May 31, 2019

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants	
FUNCTIONS/PROGRAMS					
Governmental Activities					
General government	\$ 4,026,352	\$ 3,790,600	\$	\$	\$ (235,752)
Public safety	3,425,954				(3,425,954)
Health	3,468				(3,468)
Transportation	2,301,188			281,988	(2,019,200)
Economic opportunity and development	67,671				(67,671)
Culture and recreation	1,022,646				(1,022,646)
Home and community	5,809,692		3,431,036	1,879,499	(499,157)
Debt service - interest	191,258				(191,258)
Total Functions and Programs	\$ 16,848,229	\$ 3,790,600	\$ 3,431,036	\$ 2,161,487	(7,465,106)
GENERAL REVENUES					
Real property taxes					8,239,161
Other tax items					1,514,847
Nonproperty taxes					481,314
Use of money and property					201,970
Licenses and permits					409,540
Fines and forfeitures					598,787
Sale of property and compensation for loss					31,089
Miscellaneous					312,146
State aid					251,950
Total General Revenues					12,040,804
Change in Net Position					4,575,698
Total Net Position - Beginning of Year, as Restated					82,509,038
Total Net Position - End of Year					\$ 87,084,736

INCORPORATED VILLAGE OF PATCHOGUE
Balance Sheet - Governmental Funds
 May 31, 2019

	General	Sewer	Community Development Agency	Capital Projects	Total Non-Major Funds	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$ 4,476,832	\$ 879,946	\$ 245,617	\$	\$ 58,671	\$ 5,661,066
Restricted		1,946,596			5,633	1,952,229
Receivables						
Accounts receivable	81,579					81,579
Taxes receivable	53					53
Mortgage receivable	150,000		75,000			225,000
Due from other funds	2,450,721					2,450,721
Due from state and federal				602,326		602,326
Due from other governments	37,041		37,046	115,934		190,021
Service award program	1,550,852					1,550,852
Total Assets	\$ 8,747,078	\$ 2,826,542	\$ 357,663	\$ 718,260	\$ 64,304	\$ 12,713,847
LIABILITIES						
Payables						
Accounts payable	\$ 259,556	\$ 85,038	\$	\$ 129,188	\$ 14,987	\$ 488,769
Accrued liabilities	211,766	18,401	9,048	1,800	2,363	243,378
Due to other funds			7,461	2,443,260		2,450,721
Due to other governments			1,319			1,319
Due to employees' retirement system	109,542					109,542
Notes payable						
Bond anticipation				200,000		200,000
Unearned credits						
Collections in advance	12,450					12,450
Total Liabilities	593,314	103,439	17,828	2,774,248	17,350	3,506,179
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	1,185,202	112,657			14,062	1,311,921
FUND BALANCES (DEFICIT)						
Nonspendable	150,000		75,000			225,000
Restricted:						
Service award program	1,550,852					1,550,852
Special projects		1,946,596			5,253	1,951,849
Parks and conservation					380	380
Assigned:						
Appropriated fund balance	460,000					460,000
Designated for parking meter project	574,403					574,403
Unappropriated fund balance	130,813	663,850	264,835		27,259	1,086,757
Unassigned: Fund balance (deficit)	4,102,494			(2,055,988)		2,046,506
Total Fund Balances (Deficit)	6,968,562	2,610,446	339,835	(2,055,988)	32,892	7,895,747
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 8,747,078	\$ 2,826,542	\$ 357,663	\$ 718,260	\$ 64,304	\$ 12,713,847

INCORPORATED VILLAGE OF PATCHOGUE
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
May 31, 2019

Total Governmental Fund Balances (Deficit) \$ 7,895,747

Amounts reported for governmental activities in the Statement of Net Position are different because:

The costs of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the Village as a whole, and their original costs should be expensed annually over their useful lives.

Original cost of capital assets	\$ 88,413,993	
Less accumulated depreciation	<u> -</u>	88,413,993

Proportionate share of long-term asset and liability, and deferred outflows and inflows associated with participation in the state retirement system are not current financial resources or obligations and are not reported in the funds.

Deferred outflows of resources	699,784	
Net pension liability - employees' retirement system	(1,090,455)	
Deferred inflows of resources	<u>(408,423)</u>	(799,094)

Some of the Village's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position.

357,751

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Accrued interest on bonds payable	(58,557)	
Bonds payable	(7,445,000)	
Compensated absences payable	<u>(1,280,104)</u>	<u>(8,783,661)</u>

Total Net Position \$ 87,084,736

INCORPORATED VILLAGE OF PATCHOGUE
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For the Year Ended May 31, 2019

	General	Sewer	Community Development Agency	Capital Projects	Total Non-Major Funds	Total Governmental Funds
REVENUES						
Real property taxes	\$ 8,073,710	\$	\$	\$	\$ 165,451	\$ 8,239,161
Other real property tax items	149,127	1,371,704				1,520,831
Non-property taxes	481,314					481,314
Departmental income	3,425,042	269,724			750	3,695,516
Use of money and property	177,697	23,578	57		638	201,970
Licenses and permits	273,459	136,081				409,540
Fines and forfeited bail	598,787					598,787
Sale of property and compensation for loss	31,089					31,089
Miscellaneous	300,859	43	11,244	884,469		1,196,615
State aid	247,662	18,099		2,143,388	4,288	2,413,437
Federal aid			2,546,567			2,546,567
Total Revenues	13,758,746	1,819,229	2,557,868	3,027,857	171,127	21,334,827
EXPENDITURES						
General government	2,514,302	534,082		778,170	4,000	3,830,554
Public safety	2,178,755				83,829	2,262,584
Health	2,000					2,000
Transportation	1,550,848			617,038		2,167,886
Economic opportunity and development					67,671	67,671
Culture and recreation	677,197			1,339,109	49,134	2,065,440
Home and community	1,313,903	972,679	2,482,871	204,193		4,973,646
Employee benefits	3,581,267	250,721	71,385		6,531	3,909,904
Debt service						
Principal	119,408				825,000	944,408
Interest	5,774				195,542	201,316
Total Expenditures	11,943,454	1,757,482	2,554,256	2,938,510	1,231,707	20,425,409
Excess/(Deficiency) of Revenues Over Expenditures	1,815,292	61,747	3,612	89,347	(1,060,580)	909,418
OTHER FINANCING SOURCES AND (USES)						
BANs redeemed from appropriation				100,000		100,000
Operating transfers in				88,244	1,020,542	1,108,786
Operating transfers (out)	(880,891)	(227,895)				(1,108,786)
Total Other Financing Sources and (Uses)	(880,891)	(227,895)	-	188,244	1,020,542	100,000
Net Change in Fund Balances	934,401	(166,148)	3,612	277,591	(40,038)	1,009,418
Fund Balances (Deficit) - Beginning of Year, as Restated	6,034,161	2,776,594	336,223	(2,333,579)	72,930	6,886,329
End of Year	\$ 6,968,562	\$ 2,610,446	\$ 339,835	\$ (2,055,988)	\$ 32,892	\$ 7,895,747

INCORPORATED VILLAGE OF PATCHOGUE
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended May 31, 2019

Net Change in Fund Balances \$ 1,009,418

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

Long-Term Revenue and Expense Differences

In the Statement of Activities, certain operating revenues are measured by the amounts earned during the year. In the governmental funds, however, revenue for these items are measured by the amount of financial resources provided (essentially, the amounts actually received).

\$ 89,100

Certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, but are expensed in the Statement of Activities.

Increase in compensated absences payable

(65,381)

23,719

Capital Related Differences

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position.

Capital outlays

2,835,525

Less: Current year disposals

(64,688)

2,770,837

Long-Term Debt Transactions Differences

Proceeds from the redemption of BANs are other funding sources in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.

(100,000)

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Repayment of bond principal

825,000

Repayment of installment purchase debt

19,408

Repayment of BAN principal

100,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from May 31, 2018 to May 31, 2019.

10,058

854,466

Pension Differences

The change in the proportionate share of the pension expense of the State retirement plan reported in the Statement of Activities did not affect current financial resources and, therefore, is not reported in the governmental funds.

Employees' retirement system

(82,742)

Change in Net Position of Governmental Activities

\$ 4,575,698

INCORPORATED VILLAGE OF PATCHOGUE
Statement of Fiduciary Net Position -
Fiduciary Fund
May 31, 2019

	<u>Agency</u>
ASSETS	
Cash: Unrestricted	<u>\$ 324,222</u>
LIABILITIES	
Other liabilities	<u>\$ 324,222</u>

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Incorporated Village of Patchogue (the "Village"), which was established in 1893, is governed by its Charter, New York State Village Law and other general laws of the State of New York and various local laws. The Board of Trustees is the legislative body responsible for overall operations. The Mayor serves as the Chief Executive Officer and the Treasurer serves as the Chief Fiscal Officer.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the Village are as follows:

A. Reporting Entity

The financial reporting entity is based on criteria set forth by GASB. The financial reporting entity consists of the primary government, which is the Village, organizations for which the primary government is financially accountable and 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.

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 accompanying financial statements present the activities of the Village. The Village is not a component unit of another reporting entity. The decision to include a potential component unit in the Village's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following entity is included in the Village's financial statements:

Community Development Agency

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, re-planning, reconstruction, redevelopment, subsidization, rehabilitation, restoration or conservation of such areas, the undertaking of public and private improvement of housing programs related thereto and the encouragement of participation in these programs by private enterprise.

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

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the Village, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while capital grants reflect capital-specific grants, if applicable.

The Statement of Net Position presents the financial position of the Village at fiscal year end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Employee benefits are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including real property taxes and state aid, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Village's funds, including fiduciary funds. Separate statements for each fund type, governmental and fiduciary, are presented. The Village's financial statements present the following 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 emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the Village's major governmental funds:

General Fund - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

Special Revenue Funds - are used to account for the proceeds of specific revenue sources such as federal and state grants that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed by either governments that provide the funds or outside parties. The Village has the following special revenue funds:

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

Community Development Agency – is used to account for transactions of the blended component unit.

Business Improvement District Fund – is 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.

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Debt Service Fund - accounts for the accumulation of resources for the payment of principal and interest on long-term general obligation debt of governmental activities.

Capital Projects Fund - is used to account for the financial resources used for acquisition, construction, renovation or major repair of capital facilities and other capital assets, such as equipment.

Fiduciary Funds - are used to account for activities in which the Village acts as trustee or agent for resources that belong to others. These activities are not included in the government-wide financial statements, because their resources do not belong to the Village, and are not available to be used to finance Village operations. The following is the Village's fiduciary fund:

Agency Fund - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the Village as custodian, trustee or agent.

C. Measurement Focus and Basis of Accounting

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

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Village gives or receives value without directly receiving or giving equal value in exchange, include real property taxes, state aid, grants and donations. On an accrual basis, revenue from real property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from state aid is recognized in the fiscal year it is apportioned by the state. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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 general long-term debt, 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 are reported as other financing sources.

D. Real Property Taxes

Calendar

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 1st, and an additional 1% is assessed each month on taxes paid after July. Unpaid Village taxes can be collected through tax sales.

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net resources are available, the Village's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes to Financial Statements.

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. This includes the transfer of unrestricted general fund revenues to finance various programs that the Village must account for in other funds in accordance with budgetary authorizations.

In the government-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary fund.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables are netted on the accompanying governmental funds 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. 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, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingencies at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences and pension costs.

H. Cash and Cash Equivalents/Investments

Cash and cash equivalents consist of cash on hand, bank deposits and investments with a maturity date of three months or less from date of acquisition.

Investments are reported at fair value, based on quoted market prices.

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

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

I. Receivables

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

J. Capital Assets

Capital assets are reflected in the government-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at acquisition value at the date of donation.

No depreciation has been provided on capital assets.

K. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The Village has two items that qualify for reporting in this category. The first item is related to pensions and consists of the Village's proportionate share of changes in the collective net pension liability not included in collective pension expense. The second item is the Village's contributions to the ERS subsequent to the measurement date.

L. 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.

M. 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 reclassified as revenues. In the government-wide financial statements, unavailable revenues are treated as revenues. The second item is property taxes and assessments received before the period for which they are levied or assessed, and are reported as deferred revenue. They are recognized as revenue in the year for which they are levied or assessed, which will be the subsequent year. The last item is related to pensions reported in the government-wide Statement of Net Position and consists of the Village's proportionate share of changes in the collective net pension liability not included in collective pension expense.

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

N. Employee Benefits – Compensated Absences

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

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.

Vacation 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 Government-wide financial statements. 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 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.

O. 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 deferred compensation plans established under Internal Revenue Code Section 457.

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

Eligible Village volunteer fire fighters participate in the Village sponsored Length of Service Award Program.

In addition to providing these benefits, the Village provides postemployment health insurance coverage and dependents benefits for most retired employees and dependents. Collective bargaining agreements and individual employment contracts determine if Village employees are eligible for these benefits if they reach normal retirement age while working for the Village. Healthcare benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the Village and the retired employee. The Village recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment).

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

P. 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 bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

Q. Equity Classifications

Government-wide Statements

In the Government-wide statements there are three classes of net position:

Net investment in capital assets – Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisitions, construction and improvements of those assets. The Village has not provided for accumulated depreciation.

Restricted – Reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted – Reports the balance of net position that does not meet the definition of the above two classifications.

Fund Statements

The 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. Nonspendable fund balance consists of mortgage receivable, which is recorded in the general fund and the community development agency fund.

Restricted – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, 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 Service Award Program

The Village established a defined benefit plan for the Patchogue Fire Department. The Village is responsible for those volunteer fire fighters who have vested as of December 31, 1998. The program is administered through a trust. Payments made from the program are made from general assets, which are subject to claims of the Village's creditors. The Trust does not meet the criteria of GASB Statement No. 73, paragraph 4 because the assets are not protected from the Village's creditors. The Village reports the assets and restricted fund balance in the general fund.

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 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 also 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 to report a deficit fund balance resulting from overspending of available resources.

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.

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 appropriation and then from the unassigned fund balance.

2. CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended May 31, 2019, the Village implemented GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. GASB Statement No. 34 creates a new set of basic financial statements, and requires local governments to include government-wide financial statements that are prepared on an accrual basis for accounting using the economic resources measurement focus. The previous requirement for fund financial statements is modified to present information for individual major funds rather than by fund type.

The Village also implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ended May 31, 2019. The implementation of the statement

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

requires, among other things, that the Village eliminate the presentation of the Patchogue Fire Department Service Award Program in the agency fund and present the assets in the general fund. Accounting changes adopted to conform to the provisions of the statements are to be applied retroactively and reported as a restatement of beginning net position.

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENTS AND THE GOVERNMENT-WIDE STATEMENTS

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

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the Village's governmental funds differ from net position of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term assets and liabilities.

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

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into any of four broad categories.

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 current financial resources measurement focus and the modified accrual basis, whereas the economic resources measurement focus and the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences.

Capital Related Differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on 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 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 Position. In addition, both interest and principal are recorded as expenditures in the 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 Position.

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Pension Differences

Pension differences occur as a result of recognizing pension costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan, versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the Village's proportionate share of the collective pension expense of the plan.

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The Village administration submits proposed budgets for approval by the Board of Trustees for the general fund, sewer fund and business improvement district. The tentative budget includes proposed expenditures and the proposed means of financing for the general fund. A public hearing is held on the tentative budgets by April 15. After completion of the budget hearing, the Board of Trustees may further change the tentative budgets. Such budgets, as so revised, shall be adopted by resolution no later than May 1. All subsequent modifications of the budgets must be approved by the Board of Trustees.

Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances), that may be incurred. Appropriations authorized for the year are increased by the amount of 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 appropriations of fund balance. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year:

General Fund:

Additional appropriations funded by:

Prior year's surplus	\$ 110,756
Property assessment increases	<u>12,915</u>
	<u>\$ 123,671</u>

Sewer Fund:

Additional appropriations funded by:

Prior year's surplus	\$ 291,404
Departmental income	<u>87,501</u>
	<u>\$ 378,905</u>

Budgets are adopted annually on a basis 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.

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 has an unassigned fund balance deficit of \$2,055,988. This will be funded when the Village obtains permanent financing and grants for its current construction project.

5. 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 States and its Agencies and obligations of New York State and its municipalities. Investments are valued at cost, which approximates fair value.

Custodial credit risk is the risk that in the event of a bank failure, the Village may be unable to recover deposits or 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 of foreign currency risk.

6. 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 that exist under the agreement.

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

7. DUE FROM STATE AND FEDERAL

Due from state and federal at May 31, 2019 consisted of:

Capital Projects Fund	
New York State - DASNY grants	<u>\$ 602,326</u>

8. DUE FROM OTHER GOVERNMENTS

Due from other governments at May 31, 2019 consisted of:

General Fund	
Mortgage tax aid	\$ 37,041
Community Development Fund	
HUD aid	37,046
Capital Projects Fund	
Suffolk County grants	<u>115,934</u>
	<u>\$ 190,021</u>

9. CAPITAL ASSETS

Capital asset balances and activity, for the Village, for the year ended May 31, 2019 were as follows:

	Balance May 31, 2018	Additions	Reductions	Balance May 31, 2019
Land	\$ 5,562,341	\$ 1,464,287	\$	\$ 7,026,628
Buildings	24,248,674	520,474	(28,975)	24,740,173
Improvements Other Than Buildings	1,400,468	100,325		1,500,793
Furniture, Fixtures, and Equipment	4,844,282	389,518	(35,713)	5,198,087
Infrastructure	<u>49,587,391</u>	<u>360,921</u>		<u>49,948,312</u>
Total capital assets	<u>\$ 85,643,156</u>	<u>\$ 2,835,525</u>	<u>\$ (64,688)</u>	<u>\$ 88,413,993</u>

The Village has not provided depreciation expense or accumulated depreciation.

10. INTERFUND TRANSACTIONS

Interfund balances and activities at May 31, 2019, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 2,450,721	\$	\$	\$ 880,891
Sewer Fund				227,895
Community Service Fund		7,461		
Capital Projects Fund		2,443,260	88,244	
Debt Service Fund			<u>1,020,542</u>	
Total Governmental Funds	<u>\$ 2,450,721</u>	<u>\$ 2,450,721</u>	<u>\$ 1,108,786</u>	<u>\$ 1,108,786</u>

The transfer to the capital projects fund was for the Village's share of ongoing capital projects. The transfer to the debt service fund was for the payment of principal and interest on long-term outstanding indebtedness.

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

11. SHORT-TERM DEBT

Short-term debt transactions for the year are summarized below:

	Maturity	Stated Interest Rate	Balance May 31, 2018	Issued	Redeemed	Balance May 31, 2019
BAN	3/21/2019	1.88%	\$ 300,000	\$	\$ (300,000)	\$
BAN	3/17/2020	3.00%		200,000		200,000
			<u>\$ 300,000</u>	<u>\$ 200,000</u>	<u>\$ (300,000)</u>	<u>\$ 200,000</u>

Interest on short-term debt for the year was composed of:

Interest paid	\$ 5,640
Less interest accrued in the prior year	(1,128)
Plus interest accrued in the current year	<u>1,217</u>
Total interest expense on short-term debt	<u>\$ 5,729</u>

12. LONG-TERM LIABILITIES

A. Changes

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

	Balance May 31, 2018	Additions	Reductions	Balance May 31, 2019	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 8,270,000	\$	\$ (825,000)	\$ 7,445,000	\$ 795,000
Installment purchase debt	19,408		(19,408)	-	
	<u>8,289,408</u>		<u>(844,408)</u>	<u>7,445,000</u>	<u>795,000</u>
Other long-term liabilities					
Compensated absences	1,214,723	65,381		1,280,104	
	<u>\$ 9,504,131</u>	<u>\$ 65,381</u>	<u>\$ (844,408)</u>	<u>\$ 8,725,104</u>	<u>\$ 795,000</u>

The general fund has typically been used to liquidate other long-term liabilities.

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at May 31, 2019
Serial bond	5/29/2012	6/15/2032	2.50%	\$ 850,000
NY Environmental Corp. State revenue bonds	6/7/2012	5/1/2042	3.66%	3,390,000
Serial bond	12/15/2015	7/15/2030	2.00-2.75%	2,300,000
Serial bond - refunding	2/5/2016	7/15/2021	2.00-5.00%	<u>905,000</u>
				<u>\$ 7,445,000</u>

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Year Ending May 31,	Principal	Interest	Total
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	375,000	103,122	478,122
2025-2029	1,820,000	403,664	2,223,664
2030-2034	1,335,000	214,965	1,549,965
2035-2039	825,000	111,043	936,043
2040-2042	540,000	23,266	563,266
Total	<u>\$ 7,445,000</u>	<u>\$ 1,399,879</u>	<u>\$ 8,844,879</u>

C. Interest Expense

Interest on long-term debt for the year was composed of:

Interest paid	\$ 195,676
Less interest accrued in the prior year	(67,487)
Plus interest accrued in the current year	<u>57,340</u>
Total interest expense on long-term debt	<u>\$ 185,529</u>

D. Unissued Debt

In November 2018, the Board of Trustees approved a bond issue not to exceed \$1,125,000 to fund a Village Hall addition (\$600,000), the purchase of heavy equipment (\$325,000), and the purchase of property (\$200,000). As of May 31, 2019, no debt has been issued. The Village did not incur any expenditures related to this issuance as of May 31, 2019.

13. PENSION PLANS – NEW YORK STATE

A. General Information

The Village participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple employer, public employee retirement system. 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 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'

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

C. Funding Policies

Plan members who joined the systems 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 paid 100% of the required contributions as billed by the ERS for the current year. The Village's average contribution rate was 14.61% of covered payroll for fiscal year ended March 31, 2019.

The Village's share of the required contributions, based on covered payroll for the Village's year ended May 31, 2019 was \$664,512.

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

At May 31, 2019, the Village reported the following liability for its proportionate share of the net pension liability for the ERS. The net pension liability was measured as of March 31, 2019. 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 system 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, 2019
Village's proportionate share of the net pension liability	\$ 1,090,455
Village's portion of the Plan's total net pension liability	0.0153904%
Change in proportion since the prior measurement date	(0.0010667)

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

For the year ended May 31, 2019, the Village recognized pension expense of \$740,561. At May 31, 2019, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ 214,733	\$ 73,200
Changes of assumptions	274,096	
Net difference between projected and actual earnings on pension plan investments		279,871
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	101,413	55,352
Village's contributions subsequent to the measurement date	109,542	
Total	\$ 699,784	\$ 408,423

Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending May 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending May 31,	Amount
2020	\$ 251,252
2021	(204,540)
2022	(12,566)
2023	147,673
	\$ 181,819

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2019
Actuarial valuation date	April 1, 2018
Inflation	2.50%
Salary increases	4.20%
Investment rate of return (net of investment expense, including inflation)	7.00%
Cost of living adjustments	1.30%

Annuitant mortality rates are based on system experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014. The actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Measurement date		March 31, 2019
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%
Alternatives investments	8.0%	3.75-5.68%
Bonds and mortgages	17.0%	1.31%
Cash	1.0%	(0.25)%
Inflation indexed bonds	4.0%	1.25%
	<u>100.0%</u>	

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

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 system's 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 Asset/(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:

ERS	1% Decrease 6.00%	Current Assumption 7.00%	1% Increase 8.00%
Village's proportionate share of the net pension asset/(liability)	<u>\$ (4,767,465)</u>	<u>\$ (1,090,455)</u>	<u>\$ 1,998,645</u>

Pension Plan Fiduciary Net Position

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

	<i>(Dollars in Thousands)</i>
Measurement date	March 31, 2019
Employers' total pension liability	\$ (189,803,429)
Plan fiduciary net position	<u>182,718,124</u>
Employers' net pension liability	<u>\$ (7,085,305)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	96.27%

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, 2019, represent the projected employer contribution for the period of April 1, 2019 through May 31, 2019 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2019 amounted to \$109,542 of employer contributions. Employee contributions are remitted monthly.

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

14. SERVICE AWARD PROGRAM (LOSAP)

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.

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, 2019, is \$1,549,657, which is accounted for in the Village's general fund. Program activity for the year ended December 31, 2018, the most recent information available, was as follows:

Plan Net Assets, at December 31, 2017	\$ 1,262,213
Changes during the year:	
+ Plan contributions	250,000
+ Investment income earned	43,044
- Plan benefit withdrawals	
- Administrative and other fees/charges	<u>(5,600)</u>
Plan Net Assets, at December 31, 2018	<u>\$ 1,549,657</u>

The Village has not provided the required reporting for the total service award program liability pursuant to GASB No. 73.

15. PENSION PLANS - OTHER

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, 2019 totaled \$153,280.

16. POSTEMPLOYMENT HEALTHCARE BENEFITS

The Village paid \$475,987 in postemployment benefits for forty retirees, which is included in employee benefits in the Statement of Revenues Expenditures and Changes in Fund Balances – Governmental Funds. The Village has not provided the required reporting for postemployment benefits other than pensions (other postemployment benefits or OPEB) pursuant to GASB Statement No. 75.

17. RISK MANAGEMENT

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. 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.

18. ASSIGNED: APPROPRIATED FUND BALANCE

The amount of \$460,000 has been appropriated to reduce taxes for the year ending May 31, 2020.

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

19. RESTATEMENT OF NET POSITION AND FUND BALANCE

For the year ended May 31, 2019 the Village implemented GASB Statement No. 34 and GASB Statement No. 73. Accounting changes adopted to conform to the provisions of these statements are to be applied retroactively and reported as a restatement of beginning balance. Accordingly, the Village's net position in the government-wide Statement of Net Position and the beginning fund balance of the General Fund in the fund financial statements were restated as follows:

	Net Position	General Fund Fund Balance
Balance, beginning of year, as originally stated	\$ 91,266,655	\$ 4,771,331
The following adjustments were necessary to determine the beginning balances at May 31, 2018:		
Long-term outstanding obligation items	(10,035,276)	
Accrued interest on long-term obligations	(68,615)	
Deferred revenue	268,651	
GASB 68 ERS balances	(185,207)	
GASB 73 service award program balances	1,262,830	1,262,830
	(8,757,617)	1,262,830
Balance, beginning of year, as restated	\$ 82,509,038	\$ 6,034,161

20. 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 \$416,731. The Village received payments in lieu of taxes (PILOT) totaling \$106,642.

21. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as assigned fund balance. At May 31, 2019, the Village encumbered the following amounts:

Assigned: Unappropriated Fund Balance:

General Fund

General government support	\$ 11,869
Public safety	14,850
Transportation	55,615
Culture and recreation	2,469
Home and community	46,010
	130,813

Sewer Fund

General government support	28,295
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Capital Projects Fund

Capital projects	875,549
	\$ 1,034,657

INCORPORATED VILLAGE OF PATCHOGUE
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. 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 prior audits, the Village's administration believes disallowances, if any, would be immaterial.

C. 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, 2019, which could affect future operating budgets of the Village.

D. Litigation

The Village is not aware of any material pending or threatened litigation claims against the Village. The Village is also unaware of any unasserted claims or assessments that would require financial statement disclosure.

22. 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, except for the following:

Issuance of Bonds

On October 15, 2019, the Village issued public improvement bonds in the amount of \$1,125,000, which mature on July 15, 2026 and bear interest at a rate of 2.0%. The bonds will be used to fund a Village Hall addition (\$600,000), the purchase of heavy equipment (\$325,000) and the purchase of property (\$200,000).

On September 9, 2019, the Village authorized the issuance of serial bonds in the amount of \$2,500,000 for the Main Street sewer line. The Village has not issued the serial bonds as of the date of the auditor's report.

INCORPORATED VILLAGE OF PATCHOGUE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended May 31, 2019

REVENUES	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
Local Sources				
Real Property Taxes	\$ 8,062,065	\$ 8,073,710	\$ 8,073,710	\$ -
Other Real Property Tax Items				
Payment in lieu of taxes			106,642	106,642
Interest & penalties on real property taxes	41,000	41,000	42,485	1,485
Total Other Real Property Tax Items	41,000	41,000	149,127	108,127
Non-Property Taxes				
Utilities gross receipts tax	205,000	205,000	220,090	15,090
Franchises	245,000	245,000	249,970	4,970
Non-property distribution by county	12,000	12,000	11,254	(746)
Total Non-Property Taxes	462,000	462,000	481,314	19,314
Departmental Income				
Charges for tax redemption	500	500	544	44
Treasurer & Clerk fees	4,500	4,500	8,574	4,074
Personnel fees	4,000	4,000	8,160	4,160
Other departmental income	107,500	107,500	124,500	17,000
Safety inspection fees	100,000	100,000	102,340	2,340
Other public safety departmental income	276,098	276,098	276,082	(16)
Public works charges	93,000	93,000	119,587	26,587
Parking meter fees	580,000	580,000	570,656	(9,344)
Park and recreational charges	32,500	32,500	32,665	165
Special recreational facility charges	152,000	152,000	186,491	34,491
Zoning fees	7,000	7,000	7,085	85
Planning board fees	18,000	18,000	24,220	6,220
Refuse and garbage charges	1,962,740	1,964,010	1,964,138	128
Total Departmental Income	3,337,838	3,339,108	3,425,042	85,934
Use of Money and Property				
Interest & earnings	3,500	3,500	40,991	37,491
Rental of real property	85,750	85,750	136,706	50,956
Total Use of Money and Property	89,250	89,250	177,697	88,447
Licenses and Permits				
Permits	136,800	136,800	246,069	109,269
Licenses	30,100	30,100	27,390	(2,710)
Total Licenses and Permits	166,900	166,900	273,459	106,559
Fines and Forfeited Bail				
Fines & forfeited bail	600,000	600,000	598,787	(1,213)
Sale of Property & Compensation for Loss				
Minor sales	3,500	3,500	5,450	1,950
Sales, other	400	400	1,342	942
Insurance recoveries			24,297	24,297
Total Sale of Property & Compensation for Loss	3,900	3,900	31,089	27,189
Miscellaneous				
Refunds of prior years' expenditures			4,362	4,362
Unclassified revenues			296,497	296,497
Total Miscellaneous	-	-	300,859	300,859
State Aid				
Revenue sharing	105,000	105,000	92,781	(12,219)
Mortgage tax	140,000	140,000	154,881	14,881
Total State Aid	245,000	245,000	247,662	2,662
Total Revenues	13,007,953	13,020,868	13,758,746	\$ 737,878
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	600,000	710,756		
Prior Year's Encumbrances	132,808	132,808		
Total Appropriated Fund Balance	732,808	843,564		
Total Revenues and Appropriated Fund Balance	\$ 13,740,761	\$ 13,864,432		

Note to Required Supplementary Information

Budget Basis of Accounting

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

INCORPORATED VILLAGE OF PATCHOGUE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For the Year Ended May 31, 2019

	Original Budget	Final Budget	Actual	Year-End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Government Support					
Legislative board					
Personal services	\$ 81,000	\$ 81,040	\$ 81,040	\$ -	\$ -
Contractual services	2,000	1,960	825		1,135
Village justice court					
Personal services	183,820	183,820	181,639		2,181
Equipment	1,000				-
Contractual services	54,500	58,500	52,992		5,508
Traffic violations					
Personal services	64,019	64,019	61,982		2,037
Mayor					
Personal services	38,400	38,400	38,400		-
Contractual services	7,000	7,000	3,561		3,439
Auditor					
Contractual services	34,115	31,115	19,300	10,615	1,200
Treasurer					
Personal services	260,348	220,348	220,305		43
Equipment	1,000	1,500	1,486		14
Contractual services	6,800	6,300	4,843		1,457
Assessment					
Personal services	74,580	63,580	62,532		1,048
Equipment	500	500	112		388
Contractual services	9,000	9,080	5,696		3,384
Tax advertising expense					
Contractual services	600	520	514		6
Expense on Property Acquired for Taxes					
Contractual services		15,000	14,650		350
Clerk and staff					
Personal services	262,155	273,155	272,250		905
Equipment	2,000	29,000	27,248		1,752
Contractual services	161,000	181,000	170,528	765	9,707
Law					
Contractual services	141,200	134,700	127,485		7,215
Engineer					
Contractual services	150,239	148,239	90,001	489	57,749
Buildings - village hall					
Personal services	72,402	72,877	71,784		1,093
Equipment	3,000	2,500	1,796		704
Contractual services	154,710	149,735	134,081		15,654
Central garage					
Personal services	152,958	156,958	155,323		1,635
Equipment	1,000				-
Contractual services	298,250	293,750	272,211		21,539
Unallocated insurance					
Contractual services	300,000	311,500	311,157		343
Municipal association dues					
Contractual services	5,087	5,087	5,087		-
Refund of taxes					
Contractual services	125,000	106,500	106,393		107
Payment of MTA payroll tax					
Contractual services	19,100	19,100	19,081		19
Contingent account					
Contractual services	50,000	145			145
Total General Government Support	<u>2,716,783</u>	<u>2,666,928</u>	<u>2,514,302</u>	<u>11,869</u>	<u>140,757</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, 2019

	Original Budget	Final Budget	Actual	Year-End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
Public Safety					
Safety administration					
Personal services	\$ 284,112	\$ 252,625	\$ 250,130	\$	\$ 2,495
Equipment	500	500			500
Contractual services	12,825	12,825	6,112		6,713
Traffic					
Contractual services	70,000	70,000	49,389		20,611
Parking					
Personal services	62,608	65,833	64,878		955
Contractual services	8,125	4,900	400		4,500
Safety inspections					
Personal services	1,257,505	1,257,505	1,186,092		71,413
Equipment	5,000	64,500	47,160	14,850	2,490
Contractual services	73,034	80,284	66,186		14,098
Miscellaneous public safety					
Contractual services	485,000	509,000	508,408		592
Total Public Safety	<u>2,258,709</u>	<u>2,317,972</u>	<u>2,178,755</u>	<u>14,850</u>	<u>124,367</u>
Health					
Registrar of Vital Statistics					
Personnel services	2,000	2,000	2,000		-
Transportation					
Street administration					
Personal services	888,231	898,931	895,842		3,089
Equipment	75,000	79,300	49,772		29,528
Contractual services	221,000	322,500	235,640	47,974	38,886
Snow removal					
Personal services	100,000	71,000	18,774		52,226
Equipment	2,000	58,500	57,518		982
Contractual services	61,000	54,000	24,472		29,528
Street lighting					
Personal services	35,000	35,000	328		34,672
Contractual services	258,416	258,416	217,496	5,760	35,160
Off street parking					
Contractual services	60,398	70,398	51,006	1,881	17,511
Total Transportation	<u>1,701,045</u>	<u>1,848,045</u>	<u>1,550,848</u>	<u>55,615</u>	<u>241,582</u>
Culture & Recreation					
Recreational administration					
Personal services	77,294	77,544	77,532		12
Contractual services	4,450	3,200	1,050		2,150
Parks					
Personal services	180,672	180,672	158,165		22,507
Equipment	67,000	67,000	29,100		37,900
Contractual services	100,524	98,774	77,929		20,845
Playground and recreation centers					
Personal services	74,665	74,665	64,078		10,587
Equipment	2,000	2,000			2,000
Contractual services	39,000	48,000	43,752	2,469	1,779
Marina & dock expense					
Personal services	11,000	12,700	12,629		71
Contractual services	9,000	20,650	19,514		1,136
Special recreational facility - pool					
Personal services	65,936	63,536	63,469		67
Equipment	5,000	19,700	19,126		574
Contractual services	55,800	42,500	37,220		5,280
Band concerts					
Personal services	600				-
Contractual services	17,850	19,550	18,553		997

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, 2019

	Original Budget	Final Budget	Actual	Year-End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
Youth programs					
Personal services	\$ 38,462	\$ 24,162	\$ 22,367	\$	\$ 1,795
Equipment	300	300			300
Contractual services	15,500	18,100	15,035		3,065
Historian					
Contractual services	100	100			100
Celebrations					
Contractual services	5,000	15,000	12,697		2,303
Adult recreation					
Personal services	7,500	7,500	1,973		5,527
Equipment	200	200			200
Contractual services	4,900	4,900	3,008		1,892
Total Culture & Recreation	<u>782,753</u>	<u>800,753</u>	<u>677,197</u>	<u>2,469</u>	<u>121,087</u>
Home and Community Services					
Zoning board of appeals					
Personal services	11,000	10,950	10,844		106
Contractual services	13,900	13,950	6,363		7,587
Planning board					
Personal services	22,000	21,800	17,813		3,987
Contractual services	16,900	17,100	10,176		6,924
Storm sewers					
Equipment	110,000	17,610			17,610
Contractual services	74,447	114,447	42,395	46,010	26,042
Refuse					
Personal services	667,627	684,097	683,685		412
Equipment	10,000	13,500	12,117		1,383
Contractual services	579,625	568,925	444,256		124,669
Street cleaning					
Personal services	83,112	83,112	73,613		9,499
Contractual services	10,000	13,000	12,641		359
Total Home & Community	<u>1,598,611</u>	<u>1,558,491</u>	<u>1,313,903</u>	<u>46,010</u>	<u>198,578</u>
Employee Benefits					
State employee retirement	659,052	577,552	576,216		1,336
Local pension fund	265,000	297,000	296,742		258
Social security and Medicare	387,014	387,014	375,926		11,088
Workers compensation	603,000	523,000	473,719		49,281
Unemployment insurance	20,000	20,000	10,248		9,752
Disability insurance	100	100			100
Hospital and medical insurance	1,748,546	1,760,046	1,757,144		2,902
Other benefits	77,000	94,000	91,272		2,728
Total Employee Benefits	<u>3,759,712</u>	<u>3,658,712</u>	<u>3,581,267</u>	<u>-</u>	<u>77,445</u>
Debt Service					
Principal	789,500	124,866	119,408		5,458
Interest	131,648	5,774	5,774		-
Total Debt Service	<u>921,148</u>	<u>130,640</u>	<u>125,182</u>	<u>-</u>	<u>5,458</u>
Total Expenditures	13,740,761	12,983,541	11,943,454	130,813	909,274
OTHER USES					
Operating Transfers Out		880,891	880,891		-
Total Expenditures and Other Uses	<u>\$ 13,740,761</u>	<u>\$ 13,864,432</u>	<u>12,824,345</u>	<u>\$ 130,813</u>	<u>\$ 909,274</u>
Net Change in Fund Balance			934,401		
Fund Balance - Beginning of Year, as Restated			<u>6,034,161</u>		
Fund Balance - End of Year			<u>\$ 6,968,562</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
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Sewer Fund
For the Year Ended May 31, 2019

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Other real property tax items	\$ 1,529,835	\$ 1,522,336	\$ 1,371,704	\$ (150,632)
Departmental income		140,000	269,724	129,724
Use of money and property	1,500	1,500	23,578	22,078
Licenses and permits	75,000	30,000	136,081	106,081
Miscellaneous	18,099	18,099	43	(18,056)
State aid			18,099	18,099
Total Revenues	1,624,434	1,711,935	1,819,229	\$ 107,294
APPROPRIATED FUND BALANCE				
Appropriation of Fund Balance		291,404		
Prior Year Encumbrances	33,897	33,897		
Total Appropriated Fund Balance	33,897	325,301		
Total Revenues and Appropriated Fund Balance	\$ 1,658,331	\$ 2,037,236		
EXPENDITURES				
General government support	\$ 322,886	\$ 557,386	534,082	\$ 23,304
Home and community services	1,014,541	991,834	972,679	19,155
Employee benefits	264,614	250,721	250,721	-
Debt Service				
Principal	48,400	9,400		9,400
Interest	7,890			-
Total Expenditures	1,658,331	1,809,341	1,757,482	51,859
OTHER FINANCING USES				
Operating Transfers Out		227,895	227,895	-
Total Expenditures and Other Financing Uses	\$ 1,658,331	\$ 2,037,236	1,985,377	\$ 51,859
Net Change in Fund Balance			(166,148)	
Fund Balance - Beginning of Year			2,776,594	
Fund Balance - End of Year			2,610,446	

Note to Required Supplementary Information

Budget Basis of Accounting

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

INCORPORATED VILLAGE OF PATCHOGUE
Schedule of the Village's Proportionate Share of the Net Pension Liability
 Last Two Fiscal Years

Employees' Retirement System

	2019	2018
Village's proportion of the net pension liability	0.0153904%	0.0164571%
Village's proportionate share of the net pension liability	\$ 1,090,455	\$ (531,145)
Village's covered payroll	\$ 4,585,605	\$ 4,714,257
Village's proportionate share of the net pension liability as a percentage of its covered payroll	23.78 %	11.27 %
Plan fiduciary net position as a percentage of the total pension liability	96.27%	96.93%

An additional year of historical information will be added each year, subsequent to the year of implementation, until 10 years of historical data is available.

INCORPORATED VILLAGE OF PATCHOGUE
Schedule of Village Pension Contributions
Last Fiscal Year

Employees' Retirement System

	<u>2019</u>
Contractually required contribution	\$ 664,512
Contributions in relation to the contractually required contribution	<u>664,512</u>
Contribution deficiency (excess)	<u>\$ -</u>
Village's covered payroll	\$ 4,678,731
Contributions as a percentage of covered payroll	14%

An additional year of historical information will be added each year, subsequent to the year of implementation, until 10 years of historical data is available.

INCORPORATED VILLAGE OF PATCHOGUE
Combining Balance Sheet - Non-Major Funds
 May 31, 2019

	Business Improvement District	Park and Conservation	Debt Service	Total Non-Major Funds
ASSETS				
Cash				
Unrestricted	\$ 58,671	\$	\$	\$ 58,671
Restricted	5,253	380		5,633
Total Assets	<u>\$ 63,924</u>	<u>\$ 380</u>	<u>\$ -</u>	<u>\$ 64,304</u>
LIABILITIES				
Payables				
Accounts payable	\$ 14,987	\$	\$	\$ 14,987
Accrued liabilities	2,363			2,363
Total Liabilities	<u>17,350</u>	<u>-</u>	<u>-</u>	<u>17,350</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred property taxes	<u>14,062</u>			<u>14,062</u>
FUND BALANCES				
Restricted:				
Special projects	5,253			5,253
Park and conservation		380		380
Assigned:				
Unappropriated fund balance	<u>27,259</u>			<u>27,259</u>
Total Fund Balances	<u>32,512</u>	<u>380</u>	<u>-</u>	<u>32,892</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 63,924</u>	<u>\$ 380</u>	<u>\$ -</u>	<u>\$ 64,304</u>

INCORPORATED VILLAGE OF PATCHOGUE
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances - Non-Major Funds
For the Year Ended May 31, 2019

	Business Improvement District	Parks and Conservation	Debt Service	Total Non-Major Funds
REVENUES				
Real property taxes	\$ 165,451	\$	\$	\$ 165,451
Departmental income	750			750
Use of money and property	638			638
State aid	4,288			4,288
Total Revenues	171,127	-	-	171,127
EXPENDITURES				
General government	4,000			4,000
Public safety	83,829			83,829
Economic opportunity and development	67,671			67,671
Culture and recreation		49,134		49,134
Employee benefits	6,531			6,531
Debt service				
Principal			825,000	825,000
Interest			195,542	195,542
Total Expenditures	162,031	49,134	1,020,542	1,231,707
Excess (Deficiency) of Revenues Over Expenditures	9,096	(49,134)	(1,020,542)	(1,060,580)
OTHER FINANCING SOURCES				
Operating transfers in			1,020,542	1,020,542
Net Change in Fund Balance	9,096	(49,134)	-	(40,038)
Fund Balances - Beginning of Year	23,416	49,514		72,930
End of Year	\$ 32,512	\$ 380	\$ -	\$ 32,892

**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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the total non-major funds and the fiduciary funds of the Incorporated Village of Patchogue (Village), as of and for the year ended May 31, 2019 and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated December 5, 2019. That report included an adverse opinion on the governmental activities because the Village did not comply with the requirements of GASB Statements No. 75 and 73 to report information concerning postemployment benefits other than pensions and the Village's liability for the Service Award Program, and the Village did not record depreciation expense on capital assets, as required by 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, Audit Committee and management of the Incorporated Village of Patchogue in a separate letter dated December 5, 2019.

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

December 5, 2019

