

September 18, 2015

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

We have audited the financial statements of the governmental activities, each major fund and the fiduciary funds of the Incorporated Village of Patchogue (Village) for the year ended May 31, 2015, and have issued our report thereon dated September 18, 2015. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities Under U.S. Generally Accepted Auditing Standards, Government Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated January 8, 2015, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we performed tests of the Village's compliance with certain provisions of laws, regulations, contracts and grants. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with *OMB Circular A-133*, we examined, on a test basis, evidence about the Village's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the Village's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Village's compliance with those requirements.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Incorporated Village of Patchogue

For the Year Ended May 31, 2015

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our Responsibility for Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the Village's audited financial statements does not extend beyond the financial information identified in our report and we have no professional obligation to perform procedures to corroborate such other information. In the event the financial statements are incorporated into a printed document, please forward a printer's proof for our approval before final production.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended May 31, 2015. We noted no transactions entered into by the Village during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- **Compensated Absences Liability** - Management's estimate of the liability for compensated absences is based on historical information regarding employees who have separated from the Village and their terminal payout amounts, in order to determine the probability and amount of future payouts to employees for vested accumulated sick, vacation and/or leave terminal payouts.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Incorporated Village of Patchogue
For the Year Ended May 31, 2015

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

In our judgment, none of the adjustments correcting misstatements that we proposed, all of which were recorded by the Village, were material, either individually or in the aggregate to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 18, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Village's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Finding or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Restriction on Use

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

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Very truly yours,

Cullen & Danowski, LLP

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**INCORPORATED VILLAGE OF PATCHOGUE
ADJUSTING JOURNAL ENTRIES
FOR THE YEAR ENDED MAY 31, 2015**

Account	Description	Debit	Credit
Adjusting JE # 1			
General Fund- to reclassify emergency aid received from a state aid code to a federal aid code			
A0.4350.3960.000	State Aid- Emergency Disaster Assistance	11,915.00	
A0.4365.4785.000	Federal Aid - Federal Disaster Assistance		11,915.00
Total		<u><u>11,915.00</u></u>	<u><u>11,915.00</u></u>
Adjusting JE # 2			
General Fund- to reclassify mortgage tax due from AR to due from other governments			
A0.1040.0440.000	Due from Other Governments	24,533.14	
A0.1020.0380.000	Accounts Receivable		24,533.14
Total		<u><u>24,533.14</u></u>	<u><u>24,533.14</u></u>
Adjusting JE # 3			
General Fund- to reclassify amounts that are collections in advance out of deferred revenue			
A0.2500.0691.000	Deferred Revenue	37,833.33	
A0.2180.0690.000	Collections in Advance		37,833.33
Total		<u><u>37,833.33</u></u>	<u><u>37,833.33</u></u>
Adjusting JE # 4			
General Fund- to reverse prior year Justice Court fines deferred revenue			
A0.2500.0691.000	Deferred Revenue	9,582.00	
A0.2500.0691.000	Deferred Revenue	50,435.00	
A0.2100.0631.000	Due to Other Governments		9,582.00
A0.4215.2610.000	Fines & Forfeited Bail		50,435.00
Total		<u><u>60,017.00</u></u>	<u><u>60,017.00</u></u>
Adjusting JE # 5			
Sewer Fund- to record encumbrances per client report			
SS.3305.0915.002	Assigned: Unappropriated Fund Balance	157,918.00	
SS.3305.0915.001	Assigned: Unappropriated / Encumbrances		157,918.00
Total		<u><u>157,918.00</u></u>	<u><u>157,918.00</u></u>
Adjusting JE # 6			
General Fund- to record amounts not in spendable form for mortgage receivable			
A0.3310.0917.000	Unassigned: Fund Balance	150,000.00	
A0.3010.0806.000	Nonspendable Fund Balance		150,000.00
Total		<u><u>150,000.00</u></u>	<u><u>150,000.00</u></u>

**INCORPORATED VILLAGE OF PATCHOGUE
ADJUSTING JOURNAL ENTRIES
FOR THE YEAR ENDED MAY 31, 2015**

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
Adjusting JE # 7			
Trust and Agency- to adjust service awards account			
TA.2160.TA13.000	Service Awards	19,511.21	
TA.1043.0450.000	Investment in Securities		19,511.21
Total		<u><u>19,511.21</u></u>	<u><u>19,511.21</u></u>
Adjusting JE # 8			
Sewer Fund - To reclass serial bond payment			
SS.5800.9901.000	Operating Transfers Out	183,201.00	
SS.5500.9730.600	Debt Principal- Bond Anticipation Notes		120,000.00
SS.5600.9730.700	Debt Service- Bond Anticipation Notes- Interest		63,201.00
Total		<u><u>183,201.00</u></u>	<u><u>183,201.00</u></u>
Adjusting JE # 9			
Capital Fund - Reclass Prior Year BAN Payable			
H0.3310.0917.000	Unassigned: Fund Balance	9,044,014.00	
H0.2050.0626.000	Bond Anticipation Notes Payable		9,044,014.00
Total		<u><u>9,044,014.00</u></u>	<u><u>9,044,014.00</u></u>
Adjusting JE # 10			
Debt Service - To reclass Sewer Bond Payment			
V0.5500.9710.600	Serial Bonds, Principal	120,000.00	
V0.5600.9710.700	Serial Bonds, Interest	63,201.00	
V0.4800.5031.000	Operating Transfers In		183,201.00
Total		<u><u>183,201.00</u></u>	<u><u>183,201.00</u></u>
Adjusting JE # 11			
Capital Fund - To record Sewer Bond Issuance			
H0.2050.0626.000	Bond Anticipation Notes Payable	9,044,014.00	
H0.5285.8130.000	Sewage Treatment Disp.- Capital Outlay	360,804.00	
H0.4356.4097.000	Federal Aid		5,414,818.00
H0.4900.5710.000	Proceeds from Serial Bonds		3,990,000.00
Total		<u><u>9,404,818.00</u></u>	<u><u>9,404,818.00</u></u>
Adjusting JE # 12			
General Fund- to reclass payment in lieu of parking to other departmental income code			
A0.4007.1081.000	Other Payments in Lieu of Taxes	22,500.00	
A0.4047.1289.000	Other General Departmental Income		22,500.00
Total		<u><u>22,500.00</u></u>	<u><u>22,500.00</u></u>