



## Village of Quogue, N.Y.

*FINANCIAL STATEMENTS*  
Year Ended May 31, 2015

**INCORPORATED VILLAGE OF QUOGUE  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
Year Ended May 31, 2015**

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INCORPORATED VILLAGE OF QUOGUE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
MAY 31, 2015

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As management of the Incorporated Village of Quogue (the "Village"), we offer readers of the Village's financial statements this narrative overview of the financial activities of the Village for the fiscal year ended May 31, 2015.

**FINANCIAL HIGHLIGHTS**

As reflected in the government-wide financial statements, the assets of the Village exceeded its liabilities at May 31, 2015 fiscal year by \$5,284,057 (net position). However, there is a negative balance of \$4,380,227 in the unrestricted amount of net position, which means the Village must meet its ongoing obligations to citizens and creditors from future revenue. This deficit is caused by properly recording the liability for future non-pension postemployment benefits, which is required by GASB No. 45.

As reflected in the fund financial statements as of the close of the current fiscal year, the Village's government funds reported an ending fund balance of \$4,439,236 (an increase of \$344,675 in comparison with the prior year). Of this amount, \$229,646 is nonspendable, \$704,522 is restricted, \$804,782 is assigned, and \$2,700,286 is unassigned.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements** – The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

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

The Statement of Activities presents information showing how the Village's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years.

The government-wide financial statements distinguish functions and programs of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from programs that are intended to recover all or a significant portion of their costs through user fees and charges.

The governmental activities of the Village include general government support, justice court, police department, fire department, building department, roads and highways, parks and recreation, and sanitation.

The government-wide financial statements can be found on pages 10 and 11 of this report.

See independent auditors' report and notes to the financial statements.

**Fund Financial Statements** – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental and fiduciary funds.

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

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

The Village maintains four governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Capital Projects Fund, Special Revenue Endowment Fund and Special Revenue Parkland Fund.

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

The basic governmental fund financial statements and reconciliations can be found on pages 12 – 16 of this report.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Village's own programs.

The fiduciary fund financial statement can be found on pages 17 - 18 of this report.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 - 37 of this report.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the Incorporated Village of Quogue, assets exceeded liabilities by \$5,284,057 at the close of the most recent fiscal year.

The Village has a net investment in capital assets, net of related debt, totaling \$8,380,572 at May 31, 2015.

See independent auditors' report and notes to the financial statements.

**VILLAGE'S NET POSITION**

<b><u>As of May 31,</u></b>	<b><u>Governmental Activities</u></b>		
	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>Change</u></b>
Current and Other Assets	\$ 6,199,628	\$ 5,959,773	\$ 239,855
Capital Assets	<u>10,235,572</u>	<u>10,332,804</u>	<u>(97,232)</u>
Total Assets	<u>16,435,200</u>	<u>16,292,577</u>	<u>142,623</u>
Other Liabilities	1,003,000	1,156,882	(153,882)
Long Term Liabilities	<u>10,148,143</u>	<u>9,615,395</u>	<u>532,748</u>
Total Liabilities	<u>11,151,143</u>	<u>10,772,277</u>	<u>378,866</u>
Net Position:			
Net investment in capital assets	8,380,572	8,082,804	297,768
Restricted	1,283,712	1,491,322	(207,610)
Unrestricted	<u>(4,380,227)</u>	<u>(4,053,826)</u>	<u>(326,401)</u>
Total Net Position	<u>\$ 5,284,057</u>	<u>\$ 5,520,300</u>	<u>\$ (236,243)</u>

Currently, the largest portion of the Village's net position of \$8,380,572 reflects its net investment in capital assets (e.g. land, buildings, improvements and machinery and equipment.) Capital assets are used to provide service to citizens; consequently these assets are not available for future spending. Although the Village's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The net investment in capital assets increased over the prior year by \$297,768, primarily as a result of additions to capital assets during the current fiscal year, as well as the reduction of the capital related debt, offset by current depreciation.

A portion of the Village's net position, \$1,283,712, represents resources that are subject to external restriction on how they may be used. Decreases of \$207,610 were the result of equipment purchases exceeding the amounts transferred to reserve funds to assist in the payment of long term obligations which would become due at a future date.

The remaining balance of unrestricted net position deficit of \$4,380,227 means the Village must meet its ongoing obligations to citizens and creditors from future revenue.

**VILLAGE'S CHANGES IN NET POSITION**

<b><u>For the year ended May 31,</u></b>	<b><u>Governmental Activities</u></b>		
	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>Increase (Decrease)</u></b>
Revenues:			
Program Revenues/Charges for Services	\$ 667,759	\$ 610,687	\$ 57,072
Capital Grants	213,873	163,700	50,173
General Revenues:			
Property Taxes	6,624,976	6,475,775	149,201
Non-property Taxes	64,804	63,066	1,738
Unrestricted Investment Earnings	15,254	15,574	(320)
Rental of Village Property	197,345	225,547	(28,202)
State Aid	340,192	446,320	(106,128)
Miscellaneous	26,026	58,679	(32,653)
(Loss) on Capital Asset Dispositions	<u>(48,317)</u>	<u>(11,437)</u>	<u>(36,880)</u>
Total Revenues	<u>8,101,912</u>	<u>8,047,911</u>	<u>54,001</u>
Expenses:			
General Government	1,168,268	1,293,560	(125,292)
Police, Fire and Ambulance	5,007,449	4,884,251	123,198
Justice Court	188,861	188,960	(99)
Roads and Highways	1,137,043	1,112,636	24,407
Beach, Parks and Recreation	385,245	328,676	56,569
Building Department	384,024	374,485	9,539
Interest on Long-Term Debt	<u>67,265</u>	<u>80,403</u>	<u>(13,138)</u>
Total Expenses	<u>8,338,155</u>	<u>8,262,971</u>	<u>75,184</u>
Changes in Net Position	(236,243)	(215,060)	(21,183)
Net Position – June 1 <sup>st</sup>	<u>5,520,300</u>	<u>5,735,360</u>	<u>(215,060)</u>
Net Position – May 31 <sup>st</sup>	<u>\$5,284,057</u>	<u>\$5,520,300</u>	<u>\$ (236,243)</u>

**Revenue Categories:**

Program Revenues – includes charges for services which provide a direct benefit to the purchaser, including fees for recreational and community events and building permits. Revenue contributed by external governments that are restricted to supporting these types of programs are also classified as program revenues as either operating or capital grants.

General Revenues – includes revenues that are available to fund the overall government and to provide a benefit to all taxpayers in the Village. This includes real property taxes and miscellaneous funds that may be generated during the course of the year, such as sales on excess equipment and insurance property loss claims received.

INCORPORATED VILLAGE OF QUOGUE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
MAY 31, 2015

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The Village's revenues increased by \$54,001. This increase is primarily due to an increase in real property taxes. Increases in capital grants were the result of more grant revenue received this fiscal year primarily as a result of police and beach project assistance.

**Expense Categories:**

The Village's expenses increased by \$75,184. This increase is primarily due to the increases in the Police and Fire Department, roads and highways, beach, parks and recreation and building department. All other areas of expenses showed reductions.

**FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS**

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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

At the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$4,439,236, an increase of \$344,675 in comparison to the prior year. Of this total amount, \$2,700,286 constitutes unassigned fund balance, which is available for spending at the Village's discretion.

**General Fund** – The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,700,286, while total fund balance reached \$3,155,524. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balances represents 36% of total fund expenditures, while total fund balance represents 42% of that total fund expenditures.

The fund balance of the Village's General Fund increased during the current fiscal year by \$552,285 to \$3,155,524. The key factor in this was an increase in real property taxes, and expenditures were less than revenues received during the year.

**Special Revenue** – The fund balance in the Special Revenue Fund decreased during the current fiscal year by \$27,924 to \$217,004. The key factor was authorized expenditures exceeding revenue. The only revenue earned was interest earnings.

**Capital Projects Fund** – The fund balance in the Capital Projects Fund decreased during the current fiscal year by \$138,603 to \$487,518. The key factor was expenditures for the Village's buildings and the highway department.

**Permanent Fund** – The fund balance in the Permanent Fund decreased during the current fiscal year by \$41,083 to \$579,190. The key factor in this was expenditures from the Jobson Fund and the Tift Fund.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Village's General Fund adopted budget for the fiscal year ended May 31, 2015 was \$7,935,293. This amount was increased by encumbrances carried forward from the prior year in the amount of \$169,259 for a total budget of \$8,104,552.

The budget was funded through a combination of anticipated revenues. The major funding sources were real property taxes of \$6,631,493, departmental income of \$336,500, use of money and property of \$251,500 and State Aid of \$408,000.

The General Fund performed favorably compared to budgeted revenues and expenditures.

Actual revenues of \$8,148,436 compared to the original budget of \$7,935,293 with a positive variance to budget of \$213,143. This variance consisted primarily of additional Federal Aid and department income.

Actual expenditures for the year were \$7,596,151 compared to the original budget of \$8,104,552 with a positive variance to budget of \$508,401. This variance is primarily the result of certain budgeted line items being less than projected, specifically general government support and public safety.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** - The Village's investment in capital assets for its governmental activities as of May 31, 2015, amounts to \$10,235,572 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, infrastructure, structures, machinery and equipment, vehicles and equipment, and other building improvements.

<b><u>As of May 31,</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Land	\$ 557,249	\$ 557,249
Land Improvements	149,871	163,653
Infrastructure	1,392,687	1,454,195
Structures	6,354,141	6,310,198
Machinery and Equipment	377,894	441,741
Vehicles and Equipment	1,232,822	1,223,735
Other Building Improvements	<u>170,908</u>	<u>182,033</u>
Total	<b><u>\$10,235,572</u></b>	<b><u>\$10,332,804</u></b>

Additional information on the Village's capital assets is shown in Note 6 on page 29 of this report.

**DEBT ADMINISTRATION**

The Village borrows money in order to acquire land or equipment or construct buildings and improvements or infrastructure. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. The Village pledges its full faith and credit for the payment of principal and interest.

INCORPORATED VILLAGE OF QUOGUE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
MAY 31, 2015

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<u>As of May 31,</u>	<u>2015</u>	<u>2014</u>
Serial Bonds	\$ 1,855,000	\$ 2,250,000
Compensated Absences	1,737,443	1,795,859
Other Postemployment Benefits	<u>6,955,700</u>	<u>5,964,536</u>
Total	<u>\$10,548,143</u>	<u>\$10,010,395</u>

Additional information on the Village's outstanding debt is shown in Note 7 on pages 30 – 31 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The 2015/2016 budget appropriations are \$8,048,087 which is .1% less than the current year's adopted budget. Most of the appropriations budget is about equal to the prior year with the exception of general government support has been increased by \$51,062; public safety has been decreased by \$28,480; transportation has been increased by \$36,500; home and community has been increased by \$35,000; and interfund transfers has been increased by \$20,000. Property tax collections are budgeted to increase by \$12,889, less than .1%.

**REQUEST FOR INFORMATION**

The financial report is designed to provide our citizens, customers, investors and creditors with general overview of the Village's finances and to show the Village's accountability for the money it receives. Questions concerning any information provided in this report should be addressed to the Village at 7 Village Lane, P.O. Box 926, Quogue, NY 11959.

## **INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor and Board of Trustees of the  
Incorporated Village of Quogue:

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Incorporated Village of Quogue (the "Village"), as of and for the year ended May 31, 2015 and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 internal control. Accordingly, we express no such opinion. An audit 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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Incorporated Village of Quogue, as of May 31, 2015, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

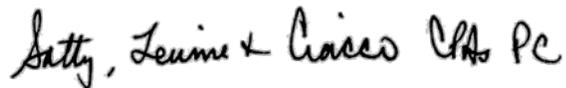
**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 7, budgetary comparison information on page 41 and the schedule of funding progress other postemployment benefits on page 40, be presented to supplement the basic financial statements. Such information, although are not 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 methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Quogue's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Satty, Levine & Ciacco, CPAs P.C.  
Jericho, New York  
November 3, 2015

**INCORPORATED VILLAGE OF QUOGUE  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
STATEMENT OF NET POSITION  
MAY 31, 2015**

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<b>CURRENT ASSETS:</b>	
Cash	\$ 5,316,943
Cash - Restricted	487,275
Tax Sale Certificates	363
Accounts Receivable	5,063
Prepaid Expenses	229,646
Due From Fiduciary	66,061
Due from other governments	94,277
	<hr/>
TOTAL CURRENT ASSETS	6,199,628
<b>NON-CURRENT ASSETS:</b>	
Land	557,249
Other capital assets, net of depreciation	9,678,323
	<hr/>
TOTAL NON-CURRENT ASSETS	10,235,572
TOTAL ASSETS	<u>\$ 16,435,200</u>
<u>LIABILITIES AND NET POSITION</u>	
<b>LIABILITIES:</b>	
Accounts Payable	\$ 185,949
Accrued Liabilities	124,276
Due To NYS Retirement System	137,194
Due To Other Governments	12,943
Unearned Revenue	120,477
Accrued Interest Payable	22,161
Long-term liabilities:	
Due within one year	400,000
Due in more than one year	10,148,143
	<hr/>
TOTAL LIABILITIES	11,151,143
<b>NET POSITION:</b>	
Net Investment in Capital Assets	8,380,572
Restricted for:	
Capital reserves	487,518
Permanent	579,190
Parkland trust	217,004
Unrestricted	(4,380,227)
	<hr/>
TOTAL NET POSITION	5,284,057
TOTAL LIABILITIES AND NET POSITION	<u>\$ 16,435,200</u>

See independent auditors' report and notes to the financial statements.

**INCORPORATED VILLAGE OF QUOGUE  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MAY 31, 2015**

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE)</u>
		<u>CHARGES FOR SERVICES</u>	<u>CAPITAL GRANTS</u>	<u>REVENUE AND CHANGES IN NET POSITION</u>
				<u>GOVERNMENTAL ACTIVITIES</u>
<u>GOVERNMENTAL ACTIVITIES:</u>				
General government	\$ 1,168,268	\$ 2,080	\$ -	\$ (1,166,188)
Police and fire	5,007,449	49,936	59,111	(4,898,402)
Justice court	188,861	124,411	-	(64,450)
Roads and highways	1,137,043	-	22,914	(1,114,129)
Beach, parks and recreation	385,245	178,420	131,848	(74,977)
Building department	384,024	312,912	-	(71,112)
Interest on long-term debt	67,265	-	-	(67,265)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 8,338,155</b>	<b>\$ 667,759</b>	<b>\$ 213,873</b>	<b>(7,456,523)</b>
 <b>GENERAL REVENUES:</b>				
				6,624,976
				64,804
				15,254
				197,345
				340,192
				26,026
				(48,317)
				<u>7,220,280</u>
				CHANGE IN NET POSITION (236,243)
				<u>NET POSITION - BEGINNING 5,520,300</u>
				<u>NET POSITION - ENDING \$ 5,284,057</u>

See independent auditors' report and notes to the financial statements.

**INCORPORATED VILLAGE OF QUOGUE  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
GOVERNMENTAL FUNDS BALANCE SHEET  
MAY 31, 2015**

	<b>GOVERNMENTAL FUND TYPES</b>				<b>TOTAL GOVERNMENTAL FUNDS</b>
	<b>GENERAL</b>	<b>SPECIAL REVENUE</b>	<b>PERMANENT FUND</b>	<b>CAPITAL PROJECTS</b>	
<b>ASSETS:</b>					
Cash	\$ 4,513,117	\$ 217,004	\$ 586,822	\$ -	\$ 5,316,943
Cash restricted - capital reserves	-	-	-	487,275	487,275
Tax Sale Certificates	363	-	-	-	363
Accounts Receivable	5,063	-	-	-	5,063
Prepaid Expenses	229,646	-	-	-	229,646
Due from other funds	-	-	-	243	243
Due From Fiduciary Fund	73,694	-	-	-	73,694
Due from other governments	94,277	-	-	-	94,277
<b>TOTAL ASSETS</b>	<b>\$ 4,916,160</b>	<b>\$ 217,004</b>	<b>\$ 586,822</b>	<b>\$ 487,518</b>	<b>\$ 6,207,504</b>

See independent auditors' report and notes to the financial statements.

**INCORPORATED VILLAGE OF QUOGUE  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
GOVERNMENTAL FUNDS BALANCE SHEET  
MAY 31, 2015**

	<b>GOVERNMENTAL FUND TYPES</b>				<b>TOTAL GOVERNMENTAL FUNDS</b>
	<b>GENERAL</b>	<b>SPECIAL REVENUE</b>	<b>PERMANENT FUND</b>	<b>CAPITAL PROJECTS</b>	
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>LIABILITIES:</b>					
Accounts Payable	\$ 185,949	\$ -	\$ -	\$ -	\$ 185,949
Accrued Liabilities	124,276	-	-	-	124,276
Due To Other Governemnts	12,943	-	-	-	12,943
Due to other funds	243	-	-	-	243
Due to fiduciary fund	-	-	7,632	-	7,632
Due To NYS Retirement System	137,194	-	-	-	137,194
Unearned Revenue	120,477	-	-	-	120,477
Compensated Absences	1,179,554	-	-	-	1,179,554
<b>TOTAL LIABILITIES</b>	<b>1,760,636</b>	<b>-</b>	<b>7,632</b>	<b>-</b>	<b>1,768,268</b>
<b>FUND BALANCES:</b>					
Nonspendable:					
Prepaid expenses	229,646	-	-	-	229,646
Restricted:					
Parkland trust	-	217,004	-	-	217,004
Building reserve	-	-	-	230,633	230,633
Fire Department reserve	-	-	-	84,639	84,639
Highway reserve	-	-	-	25,928	25,928
Police Department reserve	-	-	-	146,318	146,318
Assigned fund balances:					
Endowment funds	-	-	579,190	-	579,190
Encumbrances	225,592	-	-	-	225,592
Unassigned fund balance	2,700,286	-	-	-	2,700,286
<b>TOTAL FUND BALANCES</b>	<b>3,155,524</b>	<b>217,004</b>	<b>579,190</b>	<b>487,518</b>	<b>4,439,236</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,916,160</b>	<b>\$ 217,004</b>	<b>\$ 586,822</b>	<b>\$ 487,518</b>	<b>\$ 6,207,504</b>

See independent auditors' report and notes to the financial statements.

**INCORPORATED VILLAGE OF QUOGUE  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
MAY 31, 2015**

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Total fund balance - total governmental funds	\$	4,439,236
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		10,235,572
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in the governmental funds balance sheet.		(22,161)
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.		<u>(9,368,590)</u>
Net position of governmental activities	\$	<u><u>5,284,057</u></u>

See independent auditors' report and notes to the financial statements.

INCORPORATED VILLAGE OF QUOGUE  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED MAY 31, 2015

	GOVERNMENTAL FUND TYPES				TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	SPECIAL REVENUE	PERMANENT FUND	CAPITAL PROJECTS	
<b>REVENUES:</b>					
Real property taxes	\$ 6,596,441	\$ -	\$ -	\$ -	\$ 6,596,441
Other tax items	28,536	-	-	-	28,536
Non property tax items	64,804	-	-	-	64,804
Departmental income	470,053	-	-	-	470,053
Intergovernmental charges	37,245	-	-	-	37,245
Use of money and property	210,805	76	215	1,504	212,600
Licenses and permits	36,050	-	-	-	36,050
Fines and forfeitures	124,411	-	-	-	124,411
Sale of property and compensation for loss	12,432	-	-	-	12,432
Miscellaneous local sources	13,594	-	-	-	13,594
State aid	420,467	-	-	-	420,467
Federal aid	133,598	-	-	-	133,598
<b>TOTAL REVENUES</b>	<b>8,148,436</b>	<b>76</b>	<b>215</b>	<b>1,504</b>	<b>8,150,231</b>
<b>EXPENDITURES:</b>					
General government support	966,146	-	-	-	966,146
Public safety	2,907,426	-	90	40,283	2,947,799
Transportation	683,984	-	-	237,824	921,808
Culture and recreation	177,461	28,000	41,208	-	246,669
Home and community services	69,534	-	-	-	69,534
Employee benefits	2,184,786	-	-	-	2,184,786
<b>TOTAL EXPENDITURES</b>	<b>7,458,151</b>	<b>28,000</b>	<b>41,298</b>	<b>278,107</b>	<b>7,805,556</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>690,285</b>	<b>(27,924)</b>	<b>(41,083)</b>	<b>(276,603)</b>	<b>344,675</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	-	138,000	138,000
Transfers (out)	(138,000)	-	-	-	(138,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(138,000)</b>	<b>-</b>	<b>-</b>	<b>138,000</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<b>552,285</b>	<b>(27,924)</b>	<b>(41,083)</b>	<b>(138,603)</b>	<b>344,675</b>
<b>FUND BALANCES BEGINNING OF THE YEAR</b>	<b>2,603,239</b>	<b>244,928</b>	<b>620,273</b>	<b>626,121</b>	<b>4,094,561</b>
<b>FUND BALANCES END OF THE YEAR</b>	<b>\$ 3,155,524</b>	<b>\$ 217,004</b>	<b>\$ 579,190</b>	<b>\$ 487,518</b>	<b>\$ 4,439,236</b>

See independent auditors' report and notes to the financial statements.

**INCORPORATED VILLAGE OF QUOGUE  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
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, 2015**

Net change in fund balances - total governmental funds	\$ 344,675
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	563,537
The net effect of various transactions involving capital assets (i.e., retirements and sales) is to (decrease) net position.	(48,317)
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(612,452)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	395,000
Accrued interest payable is recognized for governmental activities, but is not due and payable in the current period and therefore is not reported as a liability in the governmental funds. The change in the liability is recognized.	4,719
On the statement of activities the actual and projected long term expenditures for post employment benefits are reported whereas on the governmental funds only the actual expenditures are recorded for postemployment benefits.	(991,164)
Some expenses in the Statement of Activities do not require the use of financial resources and therefore are not reported as expenditures in governmental funds:	
Change in Long-Term Compensated Absences	<u>107,759</u>
Change in net position of governmental activities	<u>\$ (236,243)</u>

See independent auditors' report and notes to the financial statements.

**INCORPORATED VILLAGE OF QUOGUE  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
STATEMENT OF FIDUCIARY NET POSITION  
MAY 31, 2015**

	<u>AGENCY FUNDS</u>	<u>FIRE DEPT LOSAP</u>
<b><u>ASSETS</u></b>		
Cash	\$ 225,991	\$ 301,892
Due from other funds	<u>7,632</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 233,623</u></b>	<b><u>\$ 301,892</u></b>
<b><u>LIABILITIES</u></b>		
Due to governmental funds	\$ 73,694	\$ -
Deposits held and due to others	<u>159,929</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 233,623</u></b>	<b><u>-</u></b>
<b><u>NET POSITION</u></b>		
Held in trust for pension benefits and other purposes		<b><u>\$ 301,892</u></b>

See independent auditors' report and notes to the financial statements.

**INCORPORATED VILLAGE OF QUOGUE  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED MAY 31, 2015**

	<u><b>FIRE DEPT LOSAP</b></u>
<b>ADDITIONS:</b>	
LOSAP contributions	\$ 26,152
Interest earnings	<u>4,183</u>
<b>TOTAL REVENUES</b>	<u><b>30,335</b></u>
<b>DEDUCTIONS:</b>	
Benefit payments	24,966
Administrative fees	<u>4,145</u>
<b>TOTAL EXPENDITURES</b>	<u><b>29,111</b></u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	1,224
<b>NET POSITION - BEGINNING OF THE YEAR</b>	<u><b>300,668</b></u>
<b>NET POSITION -END OF THE YEAR</b>	<u><u><b>\$ 301,892</b></u></u>

See independent auditors' report and notes to the financial statements.

**INCORPORATED VILLAGE OF QUOGUE  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
May 31, 2015**

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**Note 1. Summary of Significant Accounting Policies**

**A. Organization**

The Incorporated Village of Quogue (the “Village”) was incorporated in 1928. The Village operates under a Board of Trustees form of government and provides the following services as authorized by its charter: general government, police, fire protection, justice court, roads and highways, beach, parks and recreation and building department.

The financial statements of the Village were prepared in accordance with generally accepted accounting principles generally accepted in the United States of America (“GAAP”). The Governmental Accounting Standards Board (“GASB”) is responsible for establishing governmental accounting and financial reporting principles for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Village are discussed below.

**B. Financial Reporting Entity**

The Village of Quogue is governed by the 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 chief executive officer and the Treasurer serves as chief fiscal officer.

All governmental activities and function/programs performed for the Incorporated Village of Quogue are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting consists of (a) the primary government which is the Village, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusions would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement No. 61.

**C. Basis of Presentation**

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 transaction are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primary from the economic resource measurement focus of the Statement of Activities, compared with the current financial measurement focus of the governmental funds.

**Government-wide Financial Statements**

The Government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Village. The effect of interfund activity, within the governmental column has been removed from these statements.

In the government-wide Statement of Net Position, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village’s net position is reported in three components-net investment in capital assets; restricted net position; and unrestricted net position. The Village first utilizes restricted resources to finance qualifying activities.

**INCORPORATED VILLAGE OF QUOGUE  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
May 31, 2015**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other tax items are not included in program revenues but are reported instead as general revenues.

**Fund Financial Statements**

The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Village has presented the following governmental funds:

1. General fund is the general operating fund of the Village. It is used to account for and report all financial resources except those required to be accounted for in another fund.
2. Capital fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of major capital assets.
3. Special Revenue fund – Parkland - is used to account for and report the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The special revenue fund of the Village includes the Parkland Trust, which is used to account for activities related to improvements and land acquisitions for the parks.
4. Special Revenue fund – Endowment - is used to account for and report resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry. This fund includes the unrestricted Jobson Fund in the amount of \$349,583. Currently the Village is consuming only the annual interest earnings of this fund however, these funds are available for any Village purpose. In addition the Permanent Fund includes the Tiff Fund in the amount of \$229,607 to be used for the equal benefit of the Police and Fire Departments. Currently the Village is consuming only the annual interest earnings of this fund.

Fiduciary funds are accounted for using the economic resources measurement, focus and the accrual basis of accounting. The accounting objectives are determinations of net income and financial position. All assets and liabilities are included on the Statement of Fiduciary Net Position. These activities are not included in the government-wide financial statements because their resources are not available to be used. The Village has presented the following Fiduciary Funds:

1. Agency Funds account for assets held by the Village in a purely custodial capacity. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. Agency Funds consist of deposits held by the Village.
2. Length of Service Awards Program (LOSAP) – The Fire Department LOSAP activity is accounted for in this fund.

See independent auditors' report.

**INCORPORATED VILLAGE OF QUOGUE  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
May 31, 2015**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures/expenses and the related assets and liabilities are recognized in the account and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured (i.e. expenditures or expenses.)

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, except that:

- a. Expenditures for prepaid expenses and inventory-type items are recognized at the time of purchase.
- b. Principal and interest on indebtedness are not recognized as an expenditure until due.
- c. Compensated absences such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid.

**E. Budgetary Data**

Budgets are adopted annually. All budget amounts provided in this report have been modified where necessary. The Village's procedures in establishing the budgetary data reflected in the financial statements are as follows:

- a. On or before March 31<sup>st</sup>, the budget officer prepares estimates for each administrative unit.
- b. No later than March 31<sup>st</sup>, the budget officer submits a tentative budget to the Board of Trustees for the fiscal year commencing the following June 1<sup>st</sup>. This tentative budget includes proposed expenditures and the means of financing for the General Fund.
- c. A public hearing is conducted by the Board of Trustees to obtain comments.
- d. No later than May 1<sup>st</sup>, the Board of Trustees adopts the budget of the Incorporated Village of Quogue.

All modifications of the budget must be approved by the Board of Trustees. (However, the Treasurer is authorized to transfer certain budget amounts within departments.)

**F. Cash, Cash Equivalents and Investments**

The Village primarily maintains its cash and investments in individual segregated accounts grouped by fund. All investments with an original maturity of three months or less when purchased are considered cash equivalents. Cash on deposit with financial institutions is collateralized in accordance with state statutes.

**INCORPORATED VILLAGE OF QUOGUE  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
May 31, 2015**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Use of Estimates**

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

**H. 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 the transfer of expenditures and revenues to provide financing or other services.

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 funds.

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, expenditures and revenues activity is provided subsequently in these Notes.

**I. Receivables**

Receivables include amounts due from Federal, State and other governments or entities for services provided by the Village. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred.

**J. Prepaid Items**

Prepaid items in the fund and government-wide statements represent expenses paid that will benefit the subsequent period.

**K. Capital Assets**

Capital assets are reported in the applicable governmental activities columns in the government-wide financial statements. All capital assets purchased or acquired with an original cost of \$500 or more and an estimated useful life in excess of one year are reported at historical cost or estimated historical cost if the actual historical cost is not available. Contributed assets are reported at a fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

**INCORPORATED VILLAGE OF QUOGUE  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
May 31, 2015**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

Land Improvements	20 years
Infrastructure	20-75 years
Structures	10-40 years
Machinery and Equipment	5-20 years
Vehicles and Equipment	8-15 years

The Village evaluated prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The Village's policy is to record an impairment loss in the period when the Village determines that the carrying amount of the asset will not be recoverable. At May 31, 2015, the Village has not recorded any such impairment losses.

**L. Collections in Advance**

Collections in advance represent a liability for fees which pertain to services that will be provided by the Village in the next fiscal year.

**M. Grant Advances**

Grant advances represent a liability for grant revenues collected in advance of eligible grant expenditures.

**N. Deferred Inflows of Resources**

In addition to liabilities, the Statement of New Position and Governmental Funds Balance Sheet will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village reports only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. The governmental funds report unavailable revenues for real property taxes. This amount is deferred and will be recognized as an inflow of resources in the period that the amounts become available.

**O. Compensated Absences**

Compensated absences of the Village consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the Village and the employee.

**P. Other Benefits**

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

In addition to providing pension benefits, the Village provides postemployment health insurance coverage for retired employees. In the government-wide statements, postemployment costs are measured and disclosed using the accrual basis of accounting. The cost of providing these benefits is recorded as an expenditure in governmental funds in the year paid.

**INCORPORATED VILLAGE OF QUOGUE  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
May 31, 2015**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Q. 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 BAN's issued for capital purposes be converted to long-term financing within five years after the original issue date.

**R. Accrued Liabilities and Long-Term Obligations**

Payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements, when due. Long-term liabilities and obligations are liquidated through future budgetary appropriations of the General Fund.

Long-term obligations represent the Village's future obligations or future economic outflows. The liabilities are reported as due within one year or due in more than one year in the Statement of Net Position.

**S. Insurance**

The Village insures against the liability for most risk including, but not limited to, property damage and personal injury liability. Judgment and claims are recorded when it is possible that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

**T. 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 acquisition, construction or improvement of those assets.

Restricted net position – reports net position when constraints placed on the assets 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 net position – reports all other net position that do not meet the definition of “restricted” or net investment in capital assets classifications and are deemed to be available for general use by the Village.

**Governmental Fund Financial Statements**

Fund balance consists of five classifications; nonspendable, restricted, committed, assigned, and unassigned; however the Village only utilizes the following four:

**INCORPORATED VILLAGE OF QUOGUE  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
May 31, 2015**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

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. Restricted fund balances, including reserves in accordance with New York State law are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. These reserve funds are established through Board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however separate bank accounts are not necessary for each reserve fund.

Restricted reserves currently in use by the Village include the following:

Parkland Trust – the reserve for parkland trust reports funds which are restricted by Village Law Section 7-730 for capital expenditures related to parks, playgrounds and recreational designated areas.

Capital Reserves – the capital reserve funds include the Building, Fire Department, Highway and Police Department Reserves. These reserves accumulate monies for repairs of capital improvements, or equipment, which repairs are of a type not recurring annually or at shorter intervals. These reserves were established pursuant to General Municipal Law Section 6-d.

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 may include an amount appropriated to partially fund the subsequent year’s budget and may also include encumbrances not classified as restricted at the end of the year. In addition Assigned Fund Balance includes Endowment Funds – the endowment fund includes two funds; the Jobson Fund in the amount of \$349,583 and the Tift Fund in the amount of \$229,607. These Jobson Fund is available to be used for any Village purpose. The Tift Fund is available to be used for the equal benefit of the Police and Fire Departments.

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, unassigned classification should be used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

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, if any, assigned or unassigned) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget revision and then from the assigned fund balance to the extent that there is an assignment and then from the unassigned fund balance.

The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements.

See independent auditors’ report.

**INCORPORATED VILLAGE OF QUOGUE  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
May 31, 2015**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**S. Newly Adopted Accounting Principles**

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. GASB No. 67 improves accounting and financial reporting by pensions to enhance the transparency, consistency, and comparability of pension information. This Statement was effective for the financial reporting period beginning after June 15, 2013. The adoption of this standard had no effect on the financial statements as of May 31, 2015.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and is applied on a prospective basis. The adoption of this standard had no effect on the financial statements as of May 31, 2015.

Effective June 1, 2014, the Village adopted the provisions of GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The adoption of this standard had no effect on the financial statements as of May 31, 2015.

**Note 2. Budget Basis of Accounting**

The Mayor prepares a proposed budget for approval by the Board of Trustees for the General Fund, the only fund with a legally adopted budget. Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. 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 in the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board as a result of selected new revenue sources not included in the original budget (when permitted by law). 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. During the year, the Board approved additional appropriations of \$66,484.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Budgets are established and used for individual Capital Project Fund expenditures as approved by the Board. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

**Note 3. Real Property Taxes**

Village real property taxes are levied annually no later than May 15<sup>th</sup>, and become a lien on the first day of the levy year. Taxes are collected during the period June 1<sup>st</sup> to July 1<sup>st</sup> without penalty or interest. Thereafter penalty and interest are imposed pursuant to the Real Property Tax Law.

After the return of tax warrant and certification to the Board of Trustees of the uncollected tax items, an annual sale of the tax liens is held pursuant to the provisions of the Real Property Tax Law.

**INCORPORATED VILLAGE OF QUOGUE  
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**Note 4. Cash And Investments**

The Village investment policies are governed by state statutes. In addition, the Village has its own written investment policy. Village monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The Treasurer is authorized to use demand accounts and certificates of deposit. 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 deposits and certificates of deposit at 100 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the federal government. Underlying securities must have a market value of at least 100 percent of the cost of the repurchase agreement.

Deposits and investments at year-end were entirely covered by federal deposit insurance and/or by collateral held by a custodial bank in the Village's name.

The Village participates in a multi-municipal cooperation investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. The pool is authorized to invest in various securities issued by the United States and its agencies. The Village's share of investment at May 31, 2015 was \$803,910. These investments are not subject to risk categorization. Additional information concerning the Cooperative is presented in the annual report of the Cooperative Liquid Asset Securities System (CLASS), which may be obtained from MBIA Municipal Investors Service Corp., 113 King Street, Armonk, NY 10504.

Bank balances for the Village's cash at May 31, 2015 consisted of:

Checking – Interest Bearing	\$ 96,002
Checking – Non-Interest Bearing	67,402
Savings – Interest Bearing	5,079,606
CLASS Accounts – Interest Bearing	<u>803,910</u>
Total Balances	<u>\$6,046,920</u>
Amount FDIC Insured	\$ 437,260
Collateral Held by Village's Custodial Banks	4,805,750
CLASS Accounts	<u>803,910</u>
	<u>\$6,046,920</u>

Custodial credit risk for deposits exist when, in the event of the failure of a depository financial institution, a government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

Governmental Accounting Standards Board Statement No. 40 directs that deposits are required to be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

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

See independent auditors' report.

**INCORPORATED VILLAGE OF QUOGUE  
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**Note 4. Cash And Investments (Continued)**

Collateral is required for that portion of deposits not covered by Federal Deposit Insurance Corporation or security in the form of a letter of credit (LOC) from the Federal Home Loan Bank (FHLB). Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

At May 31, 2015 the cash in banks were entirely collateralized by the FDIC insurance, FHLB/LOC or securities held by the bank, in trust or third party, in the name of the Village.

**Note 5. Interfund Receivables and Payables**

The composition of the General Fund interfund balances at May 31, 2015, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Trust Fund	\$ 73,694
Capital Projects	General Fund	243
Trust Fund	Permanent Fund	<u>7,632</u>
Total – Fund Financial Statements		81,569
Less: Fund eliminations		<u>(81,569)</u>
Total Interfund Balances – Government Wide Statement of Net Position		<u>\$ -</u>

**INCORPORATED VILLAGE OF QUOGUE  
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**Note 6. Change in Capital Assets**

Capital assets transactions for the year ended May 31, 2015 were as follows:

	<u>Beginning Balance</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Ending Balance</u>
<b>Nondepreciable Capital Assets</b>				
Land	\$ 557,249	\$ -	\$ -	\$ 557,249
Total Non Depreciable Capital Assets	<u>557,249</u>	<u>\$ -</u>	<u>\$ -</u>	<u>557,249</u>
<b>Depreciable Capital Assets</b>				
Land Improvements	584,574	\$ -	\$ -	584,574
Infrastructure	10,002,415	22,914	-	10,025,329
Structures	9,023,422	355,213	(92,027)	9,286,608
Machinery and Equipment	1,368,953	6,707	(18,750)	1,356,910
Vehicles and Equipment	2,607,257	178,703	(14,831)	2,771,129
Other Building Improvements	<u>222,496</u>	<u>-</u>	<u>-</u>	<u>222,496</u>
Total Depreciable Capital Assets	<u>23,809,117</u>	<u>\$563,537</u>	<u>\$(125,608)</u>	<u>24,247,046</u>
Less Accumulated Depreciation				
Land Improvements	420,921	\$ 13,782	\$ -	434,703
Infrastructure	8,548,220	84,422	-	8,632,642
Structures	2,713,224	262,953	(43,710)	2,932,467
Machinery and Equipment	927,212	70,554	(18,750)	979,016
Vehicles and Equipment	1,383,522	169,616	(14,831)	1,538,307
Other Building Improvements	<u>40,463</u>	<u>11,125</u>	<u>-</u>	<u>51,588</u>
Total Accumulated Depreciation	<u>14,033,562</u>	<u>\$612,452</u>	<u>\$(77,291)</u>	<u>14,568,723</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>9,775,555</u>			<u>9,678,323</u>
Total Net Capital Assets	<u>\$10,332,804</u>			<u>\$10,235,572</u>
General Government				\$ 132,027
Police Department				88,272
Fire and Ambulance Department				165,391
Justice Court				1,243
Roads and Highways				149,145
Beach, Parks and Recreation				76,170
Building Department				<u>204</u>
Total governmental activities depreciation expense				<u>\$ 612,452</u>

See independent auditors' report.

**INCORPORATED VILLAGE OF QUOGUE  
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**Note 7. Long-Term Debt**

The following is a summary of changes in long-term liabilities for the period ended May 31, 2015:

	<u>Beginning Balance</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Serial Bonds	\$ 2,250,000	\$ -	\$395,000	\$ 1,855,000	\$400,000
Compensated Absences	1,795,859	-	58,416	1,737,443	-
Other Postemployment Benefits	<u>5,964,536</u>	<u>1,247,049</u>	<u>255,885</u>	<u>6,955,700</u>	<u>-</u>
Totals	<u>\$10,010,395</u>	<u>\$1,247,049</u>	<u>\$709,301</u>	<u>\$10,548,143</u>	<u>\$400,000</u>

Increases and decreases to compensated absences are shown net since it is impractical to determine these items separately.

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

The following is a schedule of general obligation bonds:

<u>Description of Issue</u>	<u>Original Issue</u>	<u>Issued Date</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Amount Outstanding</u>
Village Office	\$2,500,000	6/1/03	6/1/18	2.75%-3.5%	\$ 860,000
Village Office	500,000	11/15/04	9/15/19	3.5%-3.625%	199,000
Fire House	1,000,000	11/15/04	9/15/19	3.5%-3.625%	398,000
Dune Road	1,000,000	11/15/04	9/15/19	3.5%-3.625%	<u>398,000</u>
					<u>\$1,855,000</u>

Future principal and interest payments to maturity are as follows:

<u>Fiscal Year Ending May 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 400,000	\$ 58,516	\$ 458,516
2017	405,000	44,597	449,597
2018	415,000	30,138	445,138
2019	420,000	15,272	435,272
2020	<u>215,000</u>	<u>3,897</u>	<u>218,897</u>
	<u>\$1,855,000</u>	<u>\$152,420</u>	<u>\$2,007,420</u>

**Other long-term liabilities**

In addition to the above long term debt, the local government has the following non-current liabilities:

See independent auditors' report.

**INCORPORATED VILLAGE OF QUOGUE  
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**Note 7. Long-Term Debt (Continued)**

Compensated Absences – Village employees are granted vacation and sick leave and earn compensatory absences in varying amounts based primarily on length of service and service position. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave and unused compensatory absences at various rates subject to certain maximum limitations. As of May 31, 2015, \$1,737,443 of such benefits have been earned and vested. Of this amount, \$1,179,554 has already been funded and is reported in the general fund.

Postemployment Benefits – In addition to providing benefits, the Village provides postemployment health insurance coverage for retired employees. Additional information can be found subsequently in these notes.

**Note 8. Pension Plan**

**State Wide Local Government Retirement System**

**Plan Description**

The Village participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan collectively known as NYSLRS. These are cost-sharing multiple-employer retirement systems. The NYSLRS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the NYSLRS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the NYSLRS and for the custody and control of its funds. The NYSLRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

**Funding Policy**

The NYSLRS is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 will contribute 3 percent of their salary for their first ten years of membership, and employees who joined on or after April 1, 2012 (ERS) and (PFRS) will generally contribute 3 to 6 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarial rates expressly used in computing the employers' contributions based on salaries paid during the NYSLRS fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2015	\$712,784
2014	\$816,897
2013	\$589,853

**Fire Fighter Service Award Program**

The Village's financial statements are for the year ended May 31, 2015. The information contained in this note is based on information for the Length of Service Awards Program for the plan year ending on December 31, 2014, which is the most recent plan year for which complete information is available.

**INCORPORATED VILLAGE OF QUOGUE  
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**Note 8. Pension Plan (Continued)**

**Fire Fighter Length of Service Awards Program – LOSAP**

The Village established a defined contribution LOSAP for the active volunteer firefighters of the Quogue Volunteer Fire Department. The program took effect on January 1, 1992. The program was established pursuant to Article 11-A of the General Municipal Law. The program provides municipally-funded-pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters. The Village is the sponsor of the program.

**Program Description**

**Participation, Vesting and Service Credit**

Active volunteer firefighters who have reached the age of 18 and who have completed 1 year of firefighting service are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with 5 years of firefighting service or upon attaining the program's entitlement age. The program's entitlement age is age 65. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for 5 years of firefighting service rendered prior to the establishment of the program.

**Benefits**

A participant's benefit under the program is the amount resulting from the contributions made by the sponsor on behalf of the participant, plus interest and/or other earnings resulting from the investment of the contributions, less necessary administrative costs, forfeitures and losses resulting from the investments of the contributions. Contributions in the amount of \$700 are made on behalf of each participant who is credited with one year of firefighter service. The maximum number of years of firefighting service for which a participant may receive a contribution is forty (40) years. Except in the case of disability or death, benefits are payable when a participant reaches entitlement age. The program provides statutorily mandated disability and death benefits.

**Fiduciary Investment and Control**

Service credit is determined by the governing board of the sponsor, based on information certified to the governing board by each fire company having members who participate in the program. Each fire company must maintain all required records on forms prescribed by the governing board.

The governing board of the sponsor has retained and designated Retirement and Employee Benefit Services, Inc., a division of Pentec Inc. to assist in the administration of the program. The designated program administrator's functions include maintaining all records of investments and earnings, and making all program disbursements. In addition, the administrator maintains all participant information. Disbursements for the payment of benefits and administrative expenses must be approved by the Plan Administrator defined as the Incorporated Village of Quogue.

Program assets are required to be held in trust by LOSAP legislation, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program. Program assets are held in a separate bank account maintained by the Incorporated Village of Quogue, which is in compliance with NY GML Article 11-A(j).

Authority to invest program assets is vested in the Board of Trustees in compliance with NY GML Article 11-A 217(k). Subject to restrictions in the program document, program assets are invested in accordance with a statutory "prudent person" rule.

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**Note 8. Pension Plan (Continued)**

**Program Financial Condition**

Assets and Liabilities

Assets Available for Benefits

Cash – Savings Account	100%	\$271,299
Less: Liabilities		_____ -
Total Net Assets Available for Benefits		<u>\$271,299</u>
Unfunded Liability for Prior Year Service		<u>\$ 25,900*</u>

\*Transferred in Subsequent Year.

Prior Service Costs

There are no prior service costs.

Receipts and Disbursements

Plan Net Position, beginning of year	\$319,002
Changes during the year:	
Plan Contributions	25,900
Investment Income Loss	(2,100)
Plan Benefit Withdrawals	(42,736)
Plan Benefit Withdrawals – (difference on books)	(251)
Administrative and Other Fees	_____(2,616)
Plan Net Position, end of year	<u>\$297,199</u>

Contributions

Amount of sponsor’s required contribution:	<u>\$ 25,900</u>
Amount of sponsor’s actual contribution:	<u>\$ 25,900</u>

Administration Fees

Fees outstanding to designated program administrator:	\$ _____ -
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**INCORPORATED VILLAGE OF QUOGUE  
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**Note 8. Pension Plan (Continued)**

**Subsequent Event (Unaudited)**

In October 2015, as authorized by Article 11-A of the New York State General Municipal Law, the Board of Trustees of the Village adopted a resolution that, subject to voter approval as required by New York law, terminated the defined contribution LOSAP described in this Note 8 and created a new defined benefit service award program for active members of the Quogue Fire Department. By referendum held on November 3, 2015, the voters of the Village approved these actions. The new program provides for a 10-year benefit commencing after age 60 of \$20 per month for each year of qualifying firefighter service. A firefighter who continues to be an active firefighter after age 60 would receive an annual benefit of approximately \$2,100 in addition to any benefit accrued prior to age 60. The annual cost to the Village is expected to be approximately \$75,000 per year, with the first contribution being made in the Village's 2015-2016 fiscal year. Amounts held by the Village under the terminated defined contribution plan will be distributed to the individual firefighters entitled hereto.

**Note 9. Other Postemployment Benefits – (OPEBS)**

**Plan Description**

The Village sponsors a single employer health care plan that provides postemployment medical benefits for eligible retirees and their spouses through the New York State Health Insurance Plan (NYSHIP) (the "Plan"). Substantially all of the Village's employees may become eligible for these benefits if they reach normal retirement age while working for the Village. The Village does not issue a publicly available financial report for the plan; however, the financial activities of NYSHIP are included with the financial statements of the State of New York.

**Funding Policy**

The Plan provides a specified percentage of the retiree health premium (and, if applicable, the retiree's spouse's premium) charged by the insurance carrier is paid by the Village. Beginning June 1, 2010 retired participants are provided with health coverage under the Empire Plan. Within the Empire Plan, family and individual options are available.

The Empire Plan requires coordination with Medicare Part B once a retiree is eligible for Medicare. In these situations, the Village reimburses 100% of the retiree's Medicare Part B premium in addition to a specified portion of the health insurance premium. In cases where family coverage is applicable, the Village also reimburses 100% of the spouse's Medicare Part B premium.

Upon death of the retiree, the Village continues to pay the Empire premium and reimburse the Medicare Part B premium for surviving spouses.

For current retirees the Village pays 100% of the Empire premium and reimburses 100% of the Medicare Part B premium for all retirees and their spouses. These benefits remain in effect for surviving spouses.

Upon retirement of currently active employees, the Village will pay 100% of the Empire premium and will reimburse 100% of the Medicare Part B premium for all employees and the employee's spouse, if applicable.

At this time there is no New York State statute providing local governments with the authority for establishing a postemployment benefits trust. Since the Village cannot fund the OPEB liability at this time, the required contribution is based on a projected pay-as-you-go financing requirements. The contribution requirements of Plan members and the Village are established by the Board of Trustees. For the year ended May 31, 2015, the Village recognized a general fund expenditure of \$255,885 for currently enrolled retirees.

**INCORPORATED VILLAGE OF QUOGUE  
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**Note 9. Other Postemployment Benefits – (OPEBS) (Continued)**

**Annual OPEB Cost and Net OPEB Obligation**

The Village's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Village has elected to calculate the ARC and related information using the projected unit credit actuarial cost method permitted for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Village's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in Village's net OPEB obligation to the retiree:

Annual required contribution (ARC)	\$1,340,199
Interest on net OPEB obligation (NOO)	238,582
Adjustment to Annual Required Contribution (ARC)	<u>(331,732)</u>
Annual OPEB cost (expense)	1,247,049
Contributions made	<u>(255,885)</u>
Increase in net OPEB obligation	991,164
Net OPEB obligation - beginning of year	<u>5,964,536</u>
Net OPEB obligation - end of year	<u>\$6,955,700</u>

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal years 2015, 2014 and 2013 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Annual OPEB Cost</u>	<u>OPEB Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$1,340,199	\$1,247,049	\$255,885	21%	\$6,955,700
2014	\$1,340,199	\$1,262,212	\$291,276	23%	\$5,964,536
2013	\$1,340,199	\$1,277,328	\$309,472	24%	\$4,993,600

**Funded Status and Funding Progress**

As of May 31, 2013, the last valuation date, the actuarial accrued liability for benefits was \$13,430,937, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$3,098,662, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 4.33.

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

**Methods and Assumptions**

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

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**Note 9. Other Postemployment Benefits – (OPEBS) (Continued)**

For the May 31, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0% discount rate for the unfunded portion, and an annual healthcare cost rate of 10.0% grading down to 5.0% and Medicare Part B Premiums 8.0% grading down to 5.0%.

Based on the historical and expected returns of the Village's short-term investment portfolio, a discount rate of 4 percent was used. In addition, the Village elected to use the projected unit credit actuarial cost method. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at May 31, 2015, is twenty-four years.

**Note 10. Commitments and Contingencies**

**Federal and State Grants**

The Village is a recipient of various Federal and State grants. These grants are administered by various agencies. These grants are subject to various compliance and financial audits by the respective agencies administering the grants, which could result in certain disallowances. The Board believes that they have substantially complied with the rules and regulations as specified under the various grant agreements as well as the rules and regulations of the respective agency for each grant.

**Tax Certiorari**

There are presently pending against the Village of Quogue, a number of real property tax review proceedings requesting reductions in assessed valuations of various properties for both past and current years. The financial exposures in these cases are indeterminable at this time.

**Other**

The Village is subject to litigation in the ordinary conduct of its affairs. Management does not believe however, that such litigation, individually or in the aggregate, is likely to have a material effect on the financial statements.

**Joint Tenancy**

The Village, as a joint tenant with the Town of Southampton, purchased a house on Dune Road, Quogue to be used as a beach pavilion by the Village residents.

**Note 11. Subsequent Events**

The Village has evaluated events and transactions that occurred through November 3, 2015, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements. Refer to Note 8 for further disclosures.

**Note 12. Recent Accounting Principles**

The GASB has issued the following Statement which will be effective in future years:

In June 2012, GASB issued Statement No. 68, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27*. GASB No. 68 changes how governments calculate and report the costs and obligations associated with pensions and improve the decision-usefulness of reported pension information and increase the transparency, consistency, and comparability of pension information. Statement No. 68 will take effect for periods beginning after June 15, 2014. The Village anticipates that the financial statement disclosures will be significantly enhanced in addition to obligations related to the net pension liability will be calculated and recorded.

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**INCORPORATED VILLAGE OF QUOGUE  
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**Note 12. Recent Accounting Principles (Continued)**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement should be applied simultaneously with the provisions of Statement 68. The Village is in the process of evaluating the impact of this standard on its financial statements.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement redefines fair value, requires new measurement approaches and enhanced disclosures to fair value measurements. The requirements of Statement No. 72 are effective for financial statements with periods beginning after June 15, 2015. The Village is in the process of evaluating the impact of this standard on its financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for pension plans that are not administered through a trust. The requirements of Statement No. 73 are effective for financial statements with periods beginning after June 15, 2015. The Village is in the process of evaluating the impact of this standard on its financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. This Statement replaces GASB Statement No. 43 and expands certain note disclosures and requires certain postemployment benefits to be reported in a government's fiduciary funds. The requirements of Statement No. 74 are effective for financial statements with periods beginning after June 15, 2016. The Village is in the process of evaluating the impact of this standard on its financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement replaces GASB Statement No. 45 and re-establishes criteria that requires a government to report liabilities on the face of the financial statements. In addition, GASB No. 75 expands previously required disclosures and required supplementary information ("RSI") as it pertains to OPEBs. The requirements of Statement No. 75 are effective for financial statements with periods beginning after June 15, 2017. The Village is in the process of evaluating the impact of this standard on its financial statements.

The Village is currently evaluating the impact, if any, of the above pronouncements.

**INCORPORATED VILLAGE OF QUOGUE  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
COMBINING BALANCE SHEET  
CAPITAL PROJECTS FUND  
MAY 31, 2015**

	<u>BUILDINGS</u>	<u>FIRE DEPARTMENT</u>	<u>HIGHWAY</u>	<u>POLICE DEPARTMENT</u>	<u>TOTAL</u>
<b>ASSETS:</b>					
Cash	\$ 84,396	\$ 146,318	\$ 25,928	\$ 230,633	\$ 487,275
Due From Other Funds	243	-	-	-	243
<b>TOTAL ASSETS</b>	<b>\$ 84,639</b>	<b>\$ 146,318</b>	<b>\$ 25,928</b>	<b>\$ 230,633</b>	<b>\$ 487,518</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>LIABILITIES:</b>					
	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>					
Restricted					
Buildings	84,639	-	-	-	84,639
Fire department	-	146,318	-	-	146,318
Highway	-	-	25,928	-	25,928
Police department	-	-	-	230,633	230,633
<b>TOTAL FUND BALANCES</b>	<b>84,639</b>	<b>146,318</b>	<b>25,928</b>	<b>230,633</b>	<b>487,518</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 84,639</b>	<b>\$ 146,318</b>	<b>\$ 25,928</b>	<b>\$ 230,633</b>	<b>\$ 487,518</b>

See independent auditors' report and notes to the financial statements.

**INCORPORATED VILLAGE OF QUOGUE  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED MAY 31, 2015**

	<b>BUILDINGS</b>	<b>FIRE DEPARTMENT</b>	<b>HIGHWAY</b>	<b>POLICE DEPARTMENT</b>	<b>TOTAL</b>
<b>REVENUES:</b>					
Interest earnings	\$ 261	\$ 415	\$ 234	\$ 594	\$ 1,504
TOTAL REVENUES	261	415	234	594	1,504
<b>OTHER FINANCING SOURCES:</b>					
Transfers from general fund	-	88,000	50,000	-	138,000
TOTAL REVENUES AND OTHER FINANCING SOURCES	261	88,415	50,234	594	139,504
<b>EXPENDITURES:</b>					
Capital outlay	151,861	40,283	85,963	-	278,107
TOTAL EXPENDITURES	151,861	40,283	85,963	-	278,107
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	(151,600)	48,132	(35,729)	594	(138,603)
FUND BALANCES - BEGINNING OF THE YEAR	236,239	98,186	61,657	230,039	626,121
FUND BALANCES - END OF THE YEAR	\$ 84,639	\$ 146,318	\$ 25,928	\$ 230,633	487,518

See independent auditors' report and notes to the financial statements.

**INCORPORATED VILLAGE OF QUOGUE  
COUNTY OF SUFFOLK – STATE OF NEW YORK**

**SCHEDULE OF FUNDING PROGRESS OTHER POSTEMPLOYMENT BENEFITS (Unaudited)**

**Year Ended May 31, 2015**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL)-- Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
5/31/13	\$ -	\$13,430,937	\$13,430,937	0.0%	\$3,098,662	433%
5/31/10	\$ -	\$13,804,766	\$13,804,766	0.0%	\$2,981,711	463 %

Next valuation date will be at 5/31/16.

INCORPORATED VILLAGE OF QUOGUE  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED MAY 31, 2015

	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL	ENCUMBRANCES	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES:</b>					
Real property taxes	\$ 6,631,493	\$ 6,631,493	\$ 6,596,441		\$ (35,052)
Other tax items	25,000	25,000	28,536		3,536
Non property tax items	104,000	104,000	64,804		(39,196)
Departmental income	336,500	336,500	470,053		133,553
Intergovernmental charges	35,000	35,000	37,245		2,245
Use of money and property	251,500	251,500	210,805		(40,695)
Licenses and permits	25,800	25,800	36,050		10,250
Fines and forfeitures	98,500	98,500	124,411		25,911
Sale of property and compensation for loss	2,000	2,000	12,432		10,432
Miscellaneous local sources	17,500	23,429	13,594		(9,835)
State aid	408,000	434,455	420,467		(13,988)
Federal aid	-	-	133,598		133,598
<b>TOTAL REVENUES</b>	<b>7,935,293</b>	<b>7,967,677</b>	<b>\$ 8,148,436</b>		<b>\$ 180,759</b>
<b>OTHER FINANCING SOURCES</b>					
Appropriated Fund Balance	-	34,100			
Prior year encumbrances	169,259	169,259			
<b>TOTAL REVENUE AND OTHER FINANCING SOURCES</b>	<b>\$ 8,104,552</b>	<b>\$ 8,171,036</b>			
<b>EXPENDITURES:</b>					
General government support	\$ 1,066,713	\$ 1,085,264	\$ 966,146	\$ 8,394	\$ 110,724
Public safety	3,021,137	3,057,592	2,907,426	17,380	132,786
Health	1,000	1,830	1,830	-	-
Transportation	918,990	920,973	683,984	189,618	47,371
Culture and recreation	193,241	193,241	177,461	5,300	10,480
Home and community services	85,486	94,081	69,534	4,900	19,647
Employee benefits	2,213,000	2,213,070	2,184,786	-	28,284
<b>TOTAL EXPENDITURES</b>	<b>7,499,567</b>	<b>7,566,051</b>	<b>6,991,167</b>	<b>225,592</b>	<b>349,292</b>
<b>DEBT SERVICE:</b>					
Principal	395,000	395,000	395,000	-	-
Interest	71,985	71,985	71,984	-	1
<b>TOTAL DEBT SERVICE</b>	<b>466,985</b>	<b>466,985</b>	<b>466,984</b>	<b>-</b>	<b>1</b>
<b>OTHER FINANCING USES:</b>					
Transfer to reserve funds	138,000	138,000	138,000	-	-
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ 8,104,552</b>	<b>\$ 8,171,036</b>	<b>\$ 7,596,151</b>	<b>\$ 225,592</b>	<b>\$ 349,293</b>

See independent auditors' report.