

Incorporated Village of Freeport, New York

Financial Statements and
Supplementary Information

Year Ended February 28, 2018

Incorporated Village of Freeport, New York

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Independent Auditors' Report

**The Honorable Mayor and Board of Trustees
of the Incorporated Village of Freeport, New York**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Incorporated Village of Freeport, New York ("Village") as of and for the year ended February 28, 2018, 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 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion on the Discretely Presented Component Unit

As more fully disclosed in Notes 1A and 2D, the financial statements referred to above do not include financial data of the Village's legally separate component unit, the Village of Freeport Community Development Agency. Accounting principles generally accepted in the United States of America require the financial data for that component unit to be reported with the financial data of the Village's primary government. The effect of this departure on assets, liabilities, net position, revenues and expenses is not known, since the audited financial statements are not available.

Qualified Opinion – Discretely Presented Component Unit

In our opinion, except for the possible effects of the matter described in the “Basis for Qualified Opinion on the Discretely Presented Component Unit” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village, as of February 28, 2018, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw attention to Notes 2C and 3G in the notes to financial statements which disclose the effects of the Village’s adoption of the provisions of Governmental Accounting Standards Board Statement No. 73, “*Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*”. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management’s Discussion and Analysis and the schedules included under Required Supplementary Information in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit for the year the ended February 28, 2018 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village’s basic financial statements. The combining and individual fund financial statements and schedules for the year ended February 28, 2018 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules 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 for the year ended February 28, 2018 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended February 28, 2018.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America the basic financial statements of the Village as of and for the year ended February 28, 2017 (not presented herein), and have issued our report thereon dated December 22, 2017, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type

activities, the discretely presented component unit, each major fund and the aggregate remaining fund information. The combining and individual fund financial statements and schedules for the year ended February 28, 2017 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the 2017 financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2017 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended February 28, 2017.

PKF O'Connor Davies, LLP
PKF O'Connor Davies, LLP
Harrison, New York
October 12, 2018

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Incorporated Village of Freeport, New York

Management Discussion and Analysis February 28, 2018

As management of the Incorporated Village of Freeport, New York ("Village" or "primary government"), we offer readers of the financial statements this narrative overview and analysis of the financial activities for the year ended February 28, 2018. Please read it in conjunction with the Village's financial statements.

FINANCIAL HIGHLIGHTS

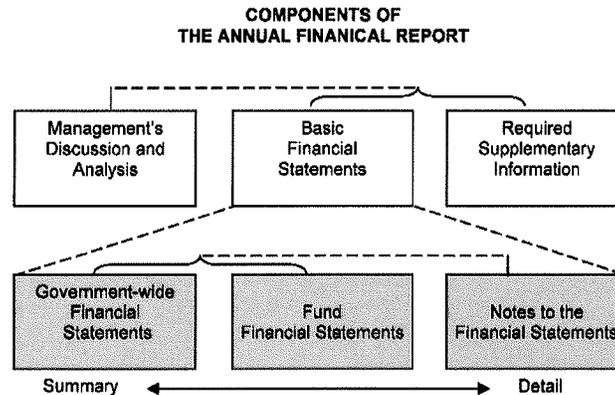
- The combined liabilities and deferred inflows of resources of the Village exceeded its assets and deferred outflows of resources by \$54,097,014 at February 28, 2018 (net of a cumulative effect of change in accounting principle, see Note 2C). The change in net position before the cumulative effect of change in accounting principle of \$5,533,483 was related to a decrease in governmental activities and \$133,316 was related to a decrease in the business-type activities for a total combined net position decrease of \$5,666,799 (prior to the cumulative effect of change in accounting principle). The most notable factor contributing to this overall decrease in net position is the effect on reporting the total pension liability of the Length of Service Awards Program ("LOSAP") for active volunteer firefighters under governmental activities due to the implementation of the second phase of Governmental Accounting Standards Board ("GASB") Statement No. 73. In addition, the reduction of total bonded debt and regulatory liabilities and the increase in capital assets and regulatory deposits contributed to a more favorable increase in net position despite having to now record the LOSAP total pension liability.
- As of February 28, 2018, the Village's governmental funds reported combined ending fund balances of \$16,661,292. Of this amount, \$801,571 is not in spendable form or is legally or contractually required to remain intact. Restricted for pensions benefits, debt service requirements, tax certioraris and general liability claims and/or capital improvements equates to \$7,768,041. In spendable form and assigned for specific purposes is \$38,358 representing encumbrances. The remaining \$8,053,322 is unassigned and currently available for spending. See Note 3J.
- At year end, the Village's total fund balance for the General Fund was \$15,437,373, an increase of \$674,727 from the prior year. The unassigned fund balance for the General Fund is \$8,053,322.
- The Village's total bonded debt (inclusive of general obligation bonds and bond anticipation notes ("BAN's") accounted for as short-term and long-term debt was \$101,630,503 (exclusive of unamortized premium on bonds), of which \$46,872,225 relates to governmental activities and \$54,758,278 relates to business-type activities. There was a decrease in total bonded debt in the amount of \$7,710,000.
- For the year ended February 28, 2018, the Village implemented the remaining provisions of GASB Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". This pronouncement established new accounting and financial reporting requirements associated with the Village's LOSAP pensions. Under the new standard, at February 28, 2018, the Village reported a cumulative effect of change in accounting principle of \$10,030,067 in its Statement of Net Position. More detailed information about the Village's LOSAP pension reporting can be found in Note 3G in the notes to financial statements.

Incorporated Village of Freeport, New York

Management Discussion and Analysis
February 28, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS

The 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 the following: 1) government-wide financial statements, 2) fund financial statements and 3) notes to basic financial statements. This report also contains 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 intent of the government-wide financial statements is to give the reader a long-term view of the Village's financial condition.

The Statement of Net Position presents financial information on all of the Village's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. This combines and consolidates the Village's current financial resources with capital assets and long-term obligations. The purpose of this statement is to give the reader an understanding of the Village's total net worth. Over time, increases or decreases in the Village's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Village's property tax base and the condition of the Village's buildings, roads, drainage and other assets to assess the overall health of the Village.

The Statement of Activities presents information showing how the Village's net position changed during the most recent year. Revenues and expenses are reported by activity to give the reader an understanding of how each of the Village's activities is being supported. All changes in net position are reported as soon as 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 periods. This method is known as the accrual basis of accounting and is different from the modified accrual basis of accounting used in the Village's fund financial statements.

Incorporated Village of Freeport, New York

Management Discussion and Analysis February 28, 2018

The Village's government-wide financial statements include both the governmental and business-type activities of the Village. However, its discretely presented component unit, the Village of Freeport Community Development Agency, has not been included.

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

Certain amounts presented in the prior year may have been reclassified in order to be consistent with the current year's presentation.

Governmental Activities - The Village's basic services are reported here, including: general government support; public safety; transportation; economic assistance and opportunity; culture and recreation and home and community services. Property taxes, mortgage taxes, payments in lieu of taxes, sales taxes, franchise fees, fines, and state and federal grants finance these activities. The Village also charges fees to customers to help it cover the costs of certain services it provides.

Business-Type Activities - The Village charges a fee to customers to help it cover all or most of the costs of certain services it provides. The Village's water and electric activities are reported here.

Component Unit - Component units are legally separate organizations for which the Village is either financially accountable, or the nature and significance of their relationship with the Village is such that exclusion would cause the Village's financial statements to be misleading or incomplete. As previously stated, the Village of Freeport Community Development Agency, a discretely presented component unit has been omitted from the government-wide financial statements as the financial statements were not available. Refer to Note 1A and 2D of notes to the financial statements.

Fund Financial Statements

The fund financial statements focus on current available resources and are organized and operated on the basis of funds, each of which is defined as an accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific or attaining certain objectives in accordance with special regulations, restriction or limitations. The Village, like other 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 three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

The Village's activities are reported in governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financial requirements.

Incorporated Village of Freeport, New York

Management Discussion and Analysis February 28, 2018

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 Village's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains two individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Capital Project Fund.

The Village adopts an annual appropriated budget for its General Fund. Budgetary comparison statements have been provided for the General Fund within the basic financial statements to demonstrate compliance with the respective budget.

The governmental fund financial statements can be found in the "Basic Financial Statements" section of this report.

Proprietary Funds

The Village maintains proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its Water and Electric funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Electric funds since both are considered to be major funds of the Village. The proprietary fund financial statements can be found in the "Basic Financial Statements" section of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. We exclude these activities from the Village's other financial statements because the Village cannot use these assets to finance its operations. The Village is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The fiduciary fund financial statement can be found in the "Basic Financial Statements" section 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 following the basic financial statements.

Incorporated Village of Freeport, New York

Management Discussion and Analysis February 28, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously noted, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village, liabilities and deferred inflows of resources, exceeded assets and deferred outflows of resources by \$54,097,014 at the close of the most recent year.

Our analysis below focuses on the net position and changes in net position of the Village's governmental and business-type activities.

Condensed Statements of Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	February 28, 2018	February 28, 2017	February 28, 2018	February 28, 2017	February 28, 2018	February 28, 2017
Assets						
Current and other assets	\$ 25,097,378	\$ 24,877,186	\$ 33,145,894	\$ 34,197,512	\$ 58,243,272	\$ 59,074,698
Capital assets	52,583,823	54,680,408	77,144,103	79,177,075	129,727,926	133,857,483
Total assets	<u>77,681,201</u>	<u>79,557,594</u>	<u>110,289,997</u>	<u>113,374,587</u>	<u>187,971,198</u>	<u>192,932,181</u>
Deferred outflows of resources	16,240,957	23,499,007	4,855,945	7,922,448	21,096,902	31,421,455
Liabilities						
Other liabilities	8,332,715	11,963,616	10,356,728	11,851,203	18,689,443	23,814,819
Long-term liabilities	160,595,642	149,973,527	81,252,688	85,586,770	241,848,330	235,560,297
Total liabilities	<u>168,928,357</u>	<u>161,937,143</u>	<u>91,609,416</u>	<u>97,437,973</u>	<u>260,537,773</u>	<u>259,375,116</u>
Deferred inflows of resources	2,046,147	2,608,254	581,194	770,414	2,627,341	3,378,668
Net position						
Net investment in capital assets	17,633,971	15,353,822	21,748,874	20,454,822	39,382,845	35,808,644
Restricted						
Debt Service	582,978	600,500	-	-	582,978	600,500
Pension benefits	-	5,325,681	-	-	-	5,325,681
Unrestricted	(95,269,295)	(82,768,799)	1,206,458	2,633,826	(94,062,837)	(80,134,973)
Total net position	<u>\$ (77,052,346)</u>	<u>\$ (61,488,796)</u>	<u>\$ 22,955,332</u>	<u>\$ 23,088,648</u>	<u>\$ (54,097,014)</u>	<u>\$ (38,400,148)</u>

Total assets and deferred outflows of resources of the Village's governmental activities, as of February 28, 2018, were \$77,681,201 and \$16,240,957, respectively, a total decrease of \$9,134,443. Total liabilities and deferred inflows of resources as of February 28, 2018 were \$168,928,357 and \$2,046,147, respectively, a total increase of \$6,429,107. This resulted in a net deficit balance of \$77,052,346 for 2018, which increased the deficit by \$15,563,550. Of the Village's governmental activities net position (deficit) balance, \$17,633,971 represents its net investment in capital assets and \$582,978 is restricted for debt service; leaving a \$95,269,295 unrestricted deficit.

Incorporated Village of Freeport, New York

Management Discussion and Analysis February 28, 2018

The deficit balance of unrestricted net position does not necessarily indicate fiscal stress. The deficit balance in unrestricted arose primarily due to non-current liabilities which include mandated payments due to employees' retirement systems, compensated absences, payments due to LOSAP participants, claims and judgments, tax certiorari payables, bond anticipation notes and general obligation bonds of which proceeds are used to procure capital assets and pay tax certioraris and claims and judgments that will be funded through future budgetary appropriations when they become payable.

Total assets and deferred outflows of resources of the Village's business-type activities, as of February 28, 2018, were \$110,289,997 and \$4,855,945, respectively, a total decrease of \$6,151,093. Total liabilities and deferred inflows of resources as of February 28, 2018 were \$91,609,416 and \$581,194, respectively, a total decrease of \$6,017,777. This resulted in a net position balance of \$22,955,332 for 2018, a decrease of \$133,316. Of the Village's business-type activities net position balance, \$21,748,874 represents its net investment in capital assets; leaving \$1,206,458 as unrestricted net position.

The Village's combined net investment in capital assets of \$39,382,845 as of February 28, 2018, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment, intangibles and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from the sale of electric and water services and other sources, since the capital assets themselves will not be used to liquidate these liabilities.

The Village's combined net position decreased in the current year after increasing in the subsequent year due to the ongoing recognition of other postemployment healthcare costs. The unfunded liability for other postemployment benefit obligations increased by \$8,470,733 in the current year, bringing the unfunded liability at year end to \$75,257,309. Additional information on other postemployment benefits can be found in Note 3G in the notes to financial statements.

Incorporated Village of Freeport, New York

Management Discussion and Analysis February 28, 2018

Our analysis below separately considers the operations of governmental and business-type activities.

	Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	February 28, 2018	February 28, 2017	February 28, 2018	February 28, 2017	February 28, 2018	February 28, 2017
Program Revenues						
Charges for services	\$ 15,806,545	\$ 13,395,495	\$ 40,026,807	\$ 39,033,036	\$ 55,633,352	\$ 52,428,531
Operating grants and contributions	757,185	591,090	-	-	757,185	591,090
Capital grants and contributions	313,435	675,394	-	-	313,435	675,394
	<u>16,677,165</u>	<u>14,661,979</u>	<u>40,026,807</u>	<u>39,033,036</u>	<u>56,703,972</u>	<u>53,695,015</u>
General Revenues						
Real property taxes	41,979,146	42,275,761	-	-	41,979,146	42,275,761
Other real property tax items	5,706,695	6,677,533	-	-	5,706,695	6,677,533
Non-property tax items	1,052,887	1,384,789	-	-	1,052,887	1,384,789
Unrestricted use of money and property	158,681	41,262	61,320	41,182	220,001	82,444
Sale of property and compensation for loss	26,911	33,146	-	-	26,911	33,146
State aid - unrestricted	1,512,476	1,456,297	-	-	1,512,476	1,456,297
Miscellaneous	30,527	112,161	-	-	30,527	112,161
Insurance recoveries	548,780	538,736	-	-	548,780	538,736
Costs to be recovered in future revenues	-	-	1,828,751	1,783,706	1,828,751	1,783,706
Gain on sale of property	-	164,000	-	-	-	164,000
Transfers	360,824	-	(360,824)	-	-	-
	<u>51,376,927</u>	<u>52,683,685</u>	<u>1,529,247</u>	<u>1,824,888</u>	<u>52,906,174</u>	<u>54,508,573</u>
Total revenues	<u>68,054,092</u>	<u>67,345,664</u>	<u>41,556,054</u>	<u>40,857,924</u>	<u>109,610,146</u>	<u>108,203,588</u>
Program expenses						
General government support	16,955,836	15,780,953	-	-	16,955,836	15,780,953
Public safety	40,219,146	38,504,971	-	-	40,219,146	38,504,971
Health	2,258	2,282	-	-	2,258	2,282
Transportation	4,557,525	4,661,894	-	-	4,557,525	4,661,894
Economic assistance and opportunity	130,553	133,527	-	-	130,553	133,527
Culture and recreation	5,840,599	5,835,429	-	-	5,840,599	5,835,429
Home and community services	4,712,677	4,663,850	-	-	4,712,677	4,663,850
Interest on debt	1,168,981	1,284,776	-	-	1,168,981	1,284,776
Electric	-	-	34,805,199	33,039,061	34,805,199	33,039,061
Water	-	-	6,884,171	6,871,936	6,884,171	6,871,936
	<u>73,587,575</u>	<u>70,867,682</u>	<u>41,689,370</u>	<u>39,910,997</u>	<u>115,276,945</u>	<u>110,778,679</u>
Change in net position	<u>(5,533,483)</u>	<u>(3,522,018)</u>	<u>(133,316)</u>	<u>946,927</u>	<u>(5,666,799)</u>	<u>(2,575,091)</u>
Net position, beginning of the year, as reported	(61,488,796)	(57,966,778)	23,088,648	22,141,721	(38,400,148)	(35,825,057)
Cumulative effect of change in accounting principle (see note 2C)	<u>(10,030,067)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,030,067)</u>	<u>-</u>
Net position, beginning of the year, as restated	<u>(71,518,863)</u>	<u>(57,966,778)</u>	<u>23,088,648</u>	<u>22,141,721</u>	<u>(48,430,215)</u>	<u>(35,825,057)</u>
Net position, end of year	<u>\$ (77,052,346)</u>	<u>\$ (61,488,796)</u>	<u>\$ 22,955,332</u>	<u>\$ 23,088,648</u>	<u>\$ (54,097,014)</u>	<u>\$ (38,400,148)</u>

During the year ended February 28, 2018, government-wide revenues increased from the prior year by \$1,406,558 while government-wide expenses increased from the prior year by \$4,498,266.

The key elements of the change in governmental-wide revenues are as follows:

- Government-wide program revenues increased by approximately \$3,009,000, primarily as a result of an increase in water usage, license and permit fees, and fines and forfeitures, which was partially offset by a decrease in electric usage and a decrease in capital grants and contributions.

Incorporated Village of Freeport, New York

Management Discussion and Analysis February 28, 2018

- Government-wide general revenues decreased by approximately \$1,602,400 from the previous year mainly due to other tax items arrears being satisfied in FY2017, non-property tax items being settled in FY2017 and the county withholding the Aid to Villages (sales tax proceeds) in the current year.

The key elements of the change in governmental-wide expenses are as follows:

- Electric utility expenses increased by approximately \$1,766,100 from the prior year as a result of increased costs relating to power generation and transmission and distribution services.
- Interest on debt decreased by approximately \$115,800 due to bonding at more favorable rates than in previous years.
- There was an increase the majority of functions mainly due to mandated contractual salary increases and the rising costs of employee benefits such as health insurance.

Total Cost of Services, Program Revenues and Net Cost (Income) of Services Governmental Activities For the Years Ended February 28, 2018 and February 28, 2017

	Total Cost of Services		Program Revenues		Net Cost of Services	
	February 28, 2018	February 28, 2017	February 28, 2018	February 28, 2017	February 28, 2018	February 28, 2017
General government support	\$ 16,955,836	\$ 15,780,953	\$ 1,901,952	\$ 1,457,397	\$ 15,053,884	\$ 14,323,556
Public Safety	40,219,146	38,504,971	3,837,048	3,474,661	36,382,098	35,030,310
Health	2,258	2,282	-	-	2,258	2,282
Transportation	4,557,525	4,661,894	408,685	690,399	4,148,840	3,971,495
Economic assistance and opportunity	130,553	133,527	16,495	27,000	114,058	106,527
Cultural and recreation	5,840,599	5,835,429	1,999,824	2,053,363	3,840,775	3,782,066
Home and community services	4,712,677	4,663,850	8,513,161	6,959,159	(3,800,484)	(2,295,309)
Interest on debt	1,168,981	1,284,776	-	-	1,168,981	1,284,776
	<u>\$ 73,587,575</u>	<u>\$ 70,867,682</u>	<u>\$ 16,677,165</u>	<u>\$ 14,661,979</u>	<u>\$ 56,910,410</u>	<u>\$ 56,205,703</u>

The cost of the governmental activities this year was \$73,587,575. The net cost of these services after being subsidized by program revenues of \$16,677,165 was \$56,910,410.

Total Cost of Services, Program Revenues and Net Cost (Income) of Services Business-Type Activities For the Years Ended February 28, 2018 and February 28, 2017

	Total Cost of Services		Program Revenues		Net Cost of Services	
	February 28, 2018	February 28, 2017	February 28, 2018	February 28, 2017	February 28, 2018	February 28, 2017
Electric	\$ 34,805,199	\$ 33,039,061	\$ 32,900,599	\$ 31,699,607	\$ 1,904,600	\$ 1,339,454
Water	6,884,171	6,871,936	7,126,208	7,333,429	(242,037)	(461,493)
	<u>\$ 41,689,370</u>	<u>\$ 39,910,997</u>	<u>\$ 40,026,807</u>	<u>\$ 39,033,036</u>	<u>\$ 1,662,563</u>	<u>\$ 877,961</u>

The cost of the business-type activities this year was \$41,689,370. The net cost of these services after being subsidized by program revenues of \$40,026,807 was \$1,662,563.

Incorporated Village of Freeport, New York

Management Discussion and Analysis
February 28, 2018

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

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 a government's net resources available for spending at the end of the year.

The General Fund is the principal operating fund of the Village. At the end of the current fiscal year, the total fund balance of the General Fund was \$15,437,373, an increase of \$674,727 from the prior year. Of this amount, \$801,571 is not in spendable form (inventory of material and supplies and prepaid expenditures) and of the remaining \$14,635,802, \$6,544,122 is restricted for debt service and pension payments, \$38,358 has been assigned for purchase orders by the Village Comptroller, and the remaining \$8,053,322 is unassigned.

The key elements that led to the increase in fund balance are as follows:

- License and permit fees surpassed revenue estimates by approximately \$310,000
- Grants and aid from Federal and State sources attributed to an unbudgeted revenue of approximately \$751,000
- Positive performance of the Village's LOSAP program of approximately \$583,000

These unbudgeted revenues offset negative variances in budgeted other tax items and fines and forfeitures.

At the end of the current year, the Capital Projects Fund had a fund balance of \$1,223,919. The fund balance of the Capital Projects Fund increased by \$3,132,584 from the prior year, a result of timing differences between project expenditures and the recognition of corresponding permanent financing.

Proprietary Funds

The Village's proprietary fund statements provide the same type of information found in the government-wide financial statements but in more detail.

Water Fund

As of February 28, 2018, the Water Fund's net position was \$11,717,944, an increase of \$272,117 from the prior year. Operating revenues decreased by approximately \$207,000, a result of decreased demand and usage of water in the current year as compared to the prior year, which is consistent to changes in the weather conditions. Operating expenses increased slightly by approximately \$34,000, primarily the result of increases in salaries and other administrative costs. The Water Fund's (net) non-operating revenues increased by approximately \$37,000 due to reduced interest expense on debt in the current year as the fund has been paying down its outstanding debt and an increase in interest income from the fund's investments.

Incorporated Village of Freeport, New York

Management Discussion and Analysis February 28, 2018

Electric Fund

As of February 28, 2018, the Electric Fund's net position was \$11,237,388, a decrease of \$405,433 from the prior year. Operating revenues increased by approximately \$1,201,000 as a result of an increase in residential and commercial sales from the prior fiscal year. Operating expenses also increased by approximately \$1,908,000, in line with the previously referenced increase in sales from the prior fiscal year coupled with an increase in the cost of salaries and other administrative costs. The Electric Fund's (net) non-operating expenses decreased by approximately \$192,000, mainly due to reduced interest expense on debt in the current year as the fund is paying down its outstanding debt and additional costs related to other post employment benefits that will be covered from future revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year the Village Board reviews and revises the budget as needed so that expenditures do not exceed appropriations. In the General Fund, various transfers between appropriations are approved by the Village Board for this purpose. The final budget is also revised from the original budget for the prior year encumbrances, which increased the appropriations in excess of the estimated revenues in the amount of \$86,323 by appropriating prior year assigned fund balance. Overall, total revenues and other financing sources were less than budgeted by \$3,133,465 and total actual expenditures were less than total appropriations in the amount of \$3,464,252. As a result, the Village's overall budget was under-expended by \$330,787. In addition, the original budget was increased as follows:

Estimated revenues	\$ 29,850
Other financing sources	<u>7,940,000</u>
	7,969,850
Appropriations	<u>7,969,850</u>
	<u>\$ -</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Village's capital assets net of accumulated depreciation for its governmental and business-type activities as of February 28, 2018, amounts to \$52,583,823 and \$77,144,103, respectively. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure (roads, curbs, sidewalks, drainage, sewer and water systems) and intangibles.

Incorporated Village of Freeport, New York

Management Discussion and Analysis
February 28, 2018

During the fiscal year ended February 28, 2018, the Village's major capital expenditures were as follows:

Water fund infrastructure improvements	\$ 670,243
Various road and sewer system improvements	406,662
Various building improvements	923,750
Acquisition of vehicles and major equipment - governmental activities	<u>487,216</u>
	<u>\$ 2,487,871</u>

**Capital Assets
Governmental Activities**

	<u>February 28, 2018</u>	<u>February 28, 2017</u>
Land	\$ 3,986,783	\$ 4,593,377
Construction in progress	1,007,940	178,992
Buildings	15,211,559	14,287,809
Improvements other than buildings	18,067,981	17,966,272
Machinery and equipment	15,443,519	15,807,988
Intangibles - software	1,245,655	1,245,655
Infrastructure:		
Roads, curbs, sidewalks and drainage	52,488,382	52,200,640
Sewer system	<u>20,995,509</u>	<u>20,876,589</u>
Total capital assets	128,447,328	127,157,322
Less: accumulated depreciation	<u>75,863,505</u>	<u>72,476,914</u>
Total net governmental capital assets	<u>\$ 52,583,823</u>	<u>\$ 54,680,408</u>

Incorporated Village of Freeport, New York

Management Discussion and Analysis
February 28, 2018

Capital Assets Business-type Activities

	<u>February 28, 2018</u>	<u>February 28, 2017</u>
Land	\$ 170,220	\$ 170,220
Construction in progress	669,572	797,730
Buildings, wells and structures	21,324,679	21,324,349
Improvements other than buildings	2,102,621	2,046,682
Machinery and equipment	108,359,524	108,275,061
Infrastructure - Water mains	<u>20,355,877</u>	<u>19,685,634</u>
Total capital assets	152,982,493	152,299,676
Less: accumulated depreciation	<u>75,838,390</u>	<u>73,122,601</u>
Total net business-type capital assets	<u>\$ 77,144,103</u>	<u>\$ 79,177,075</u>

The Village has an informal capital improvement plan which allows for the continued improvements to infrastructure, buildings and equipment. The Village finances most of these improvements with bond anticipation notes and general obligation bonds.

Additional information on the Village's capital assets can be found in Note 3D in the notes to financial statements.

Debt Limit

The Village has the power to contract indebtedness for any Village purpose so long as the principal amount thereof, subject to certain limited exceptions, shall not exceed seven percent of the average full valuation of taxable real estate of the Village, and is subject to certain enumerated exclusions and deductions such as for the electric plant and water facilities.

The constitutional method for determining full valuation is calculated by taking the assessed valuation of taxable real estate as shown upon the latest completed assessment roll and dividing the same by the equalization rate as determined by the State Board of Equalization and Assessment. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of the last completed assessment roll and the four preceding assessment rolls and dividing such sum by five. The percentage of debt-contracting power exhausted as of April 5, 2018 was 16.78%.

Incorporated Village of Freeport, New York

Management Discussion and Analysis February 28, 2018

Debt Administration

A summary of activity for outstanding debt for the Village for the year ended February 28, 2018 is as follows:

	Balance March 1, 2017	Increases	Decreases	Balance February 28, 2018
Governmental activities:				
Bond anticipation notes	\$ 14,219,000	\$ 3,460,000	\$ 12,144,000	\$ 5,535,000
General obligation bonds*	36,610,063	10,284,000	5,556,838	41,337,225
	<u>\$ 50,829,063</u>	<u>\$ 13,744,000</u>	<u>\$ 17,700,838</u>	<u>\$ 46,872,225</u>
Business-type activities:				
Bond anticipation notes	1,296,500	1,100,000	1,296,500	1,100,000
General obligation bonds*	57,214,940	1,246,500	4,803,162	53,658,278
	<u>\$ 58,511,440</u>	<u>\$ 2,346,500</u>	<u>\$ 6,099,662</u>	<u>\$ 54,758,278</u>

*Exclusive of related bond premiums

Moody's Investment Services maintained the Village's credit rating at "A1" during the year ended February 28, 2018. There were no changes to the bond rating as of the date of this report. Additional information on the Village's debt activity can be found in Notes 3F and 3G in the notes to financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Property Tax

The Village has adopted a budget for the 2018-2019 fiscal year, which factors in inflation and other adjustments to revenues and expenditures as well as prior year positive and negative fund balances. The 2018-2019 budget includes an overall decrease in real property tax revenues from the prior year of 0.038% for the general Village governmental activities.

Chapter 97 of the Laws of 2011 (the "Tax Cap Law") was enacted on June 24, 2011 and took effect for the 2012 budget year. The Tax Cap Law limits annual increases of the Village's overall real property tax to no more than the lesser of 2.00% or the rate of inflation. Certain increases to the tax levy are excluded from the limitations imposed by the Tax Cap Law including exclusions for certain expenditures for retirement system contributions and tort judgments payable by the Village. In addition, the Village Board may override the limitations if the Village Board enacts, by vote of at least sixty percent of the voting power of the Village Board, a local law to override such limit for the upcoming budget year. The Tax Cap Law does not provide exclusion for debt service on general obligations issued by the Village. Accordingly, the Village has taken the appropriate steps to opt out of the applicable cap.

Incorporated Village of Freeport, New York

Management Discussion and Analysis
February 28, 2018

Assessment reductions resulting from tax certiorari actions continue to erode the Village tax base. This trend has shown signs of slowing and for the year ending February 28, 2019, the Village anticipates that assessment refunds will not exceed the budget allocation.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the finances of the Village and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, contact the Incorporated Village of Freeport, Treasurer's Office, 46 North Ocean Avenue, Freeport, New York.

Incorporated Village of Freeport, New York

Statement of Net Position
February 28, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 2,245,393	\$ 1,927,397	\$ 4,172,790
Investments	16,582,997	5,888,013	22,471,010
Receivables			
Taxes	783,897	-	783,897
Accounts	913,569	8,290,834	9,204,403
State and Federal aid	548,275	-	548,275
Due from other governments	212,891	-	212,891
Internal balances	3,008,785	(3,008,785)	-
Inventories	337,485	2,349,744	2,687,229
Prepaid expenses	464,086	125,757	589,843
Costs to be recovered from future revenues	-	17,243,011	17,243,011
Regulatory deposit	-	329,923	329,923
Capital assets			
Not being depreciated	4,994,723	839,792	5,834,515
Being depreciated, net	47,589,100	76,304,311	123,893,411
Total Assets	77,681,201	110,289,997	187,971,198
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts on refunding bonds	890,819	1,927,278	2,818,097
Deferred amounts on net pension liabilities	14,412,104	2,928,667	17,340,771
Deferred amounts on fire service awards	938,034	-	938,034
Total Deferred Outflows of Resources	16,240,957	4,855,945	21,096,902
LIABILITIES			
Accounts payable	3,119,363	2,196,145	5,315,508
Accrued interest payable	490,422	355,419	845,841
Accrued liabilities	811,109	26,309	837,418
Due to other governments	11,101	-	11,101
Customer deposits	-	1,407,880	1,407,880
Regulatory liabilities	-	5,041,734	5,041,734
Unearned revenues	45,720	229,241	274,961
Bond anticipation notes payable	3,855,000	1,100,000	4,955,000
Non-current liabilities			
Due within one year	11,533,373	5,606,411	17,139,784
Due in more than one year	149,062,269	75,646,277	224,708,546
Total Liabilities	168,928,357	91,609,416	260,537,773
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts on net pension liabilities	2,046,147	581,194	2,627,341
NET POSITION			
Net investment in capital assets	17,633,971	21,748,874	39,382,845
Restricted			
Debt service	582,978	-	582,978
Unrestricted	(95,269,295)	1,206,458	(94,062,837)
Total Net Position	\$ (77,052,346)	\$ 22,955,332	\$ (54,097,014)

The accompanying notes are an integral part of the financial statements.

Incorporated Village of Freeport, New York

Statement of Activities
Year Ended February 28, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government support	\$ 16,955,836	\$ 1,885,392	\$ -	\$ 16,560
Public safety	40,219,146	3,681,076	130,972	25,000
Health	2,258	-	-	-
Transportation	4,557,525	196,710	-	211,975
Economic opportunity and development	130,553	-	16,495	-
Culture and recreation	5,840,599	1,999,824	-	-
Home and community services	4,712,677	7,843,543	609,718	59,900
Interest	1,168,981	-	-	-
Total Governmental Activities	73,587,575	15,606,545	757,185	313,435
Business-type activities				
Water	6,884,171	7,126,208	-	-
Electric	34,805,199	32,900,599	-	-
Total Business-Type Activities	41,689,370	40,026,807	-	-
Total	\$ 115,276,945	\$ 55,633,352	\$ 757,185	\$ 313,435

General revenues

- Real property taxes
- Other tax items
 - Interest and penalties on real property taxes
 - Payments in lieu of taxes
- Non-property taxes
 - Utilities gross receipts tax
- Unrestricted use of money and property
- Sale of property and compensation for loss
- Unrestricted State aid
- Miscellaneous
- Insurance recoveries
- Costs to be recovered from future revenues
- Transfers

Total General Revenues

Change in Net Position

NET POSITION

Beginning of Year, as reported

Cumulative Effect of Change in Accounting Principle

Beginning of Year, as restated

End of Year

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (15,053,884)	\$ -	\$ (15,053,884)
(36,382,098)	-	(36,382,098)
(2,258)	-	(2,258)
(4,148,840)	-	(4,148,840)
(114,058)	-	(114,058)
(3,840,775)	-	(3,840,775)
3,800,484	-	3,800,484
(1,168,981)	-	(1,168,981)
<u>(56,910,410)</u>	<u>-</u>	<u>(56,910,410)</u>
-	242,037	242,037
-	(1,904,600)	(1,904,600)
<u>-</u>	<u>(1,662,563)</u>	<u>(1,662,563)</u>
<u>(56,910,410)</u>	<u>(1,662,563)</u>	<u>(58,572,973)</u>
41,979,146	-	41,979,146
328,507	-	328,507
5,378,188	-	5,378,188
1,052,887	-	1,052,887
158,681	61,320	220,001
26,911	-	26,911
1,512,476	-	1,512,476
30,527	-	30,527
548,780	-	548,780
-	1,828,751	1,828,751
360,824	(360,824)	-
<u>51,376,927</u>	<u>1,529,247</u>	<u>52,906,174</u>
<u>(5,533,483)</u>	<u>(133,316)</u>	<u>(5,666,799)</u>
(61,488,796)	23,088,648	(38,400,148)
<u>(10,030,067)</u>	<u>-</u>	<u>(10,030,067)</u>
<u>(71,518,863)</u>	<u>23,088,648</u>	<u>(48,430,215)</u>
<u>\$ (77,052,346)</u>	<u>\$ 22,955,332</u>	<u>\$ (54,097,014)</u>

Incorporated Village of Freeport, New York

Balance Sheet
 Governmental Funds
 February 28, 2018

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and equivalents	\$ 1,950,347	\$ 295,046	\$ 2,245,393
Investments	11,529,905	5,053,092	16,582,997
Taxes receivable	783,897	-	783,897
Other receivables			
Accounts	913,569	-	913,569
State and Federal aid	276,400	271,875	548,275
Due from other funds	3,732,744	839,270	4,572,014
Due from other governments	212,891	-	212,891
	<u>5,135,604</u>	<u>1,111,145</u>	<u>6,246,749</u>
Inventories	337,485	-	337,485
Prepaid expenditures	464,086	-	464,086
Total Assets	<u>\$ 20,201,324</u>	<u>\$ 6,459,283</u>	<u>\$ 26,660,607</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 2,209,832	\$ 909,531	\$ 3,119,363
Accrued liabilities	811,109	-	811,109
Due to other funds	1,092,396	470,833	1,563,229
Due to other governments	11,101	-	11,101
Unearned revenues	45,720	-	45,720
Bond anticipation notes payable	-	3,855,000	3,855,000
Total Liabilities	4,170,158	5,235,364	9,405,522
Deferred inflows of resources			
Deferred tax revenues	593,793	-	593,793
Total Liabilities and Deferred Inflows of Resources	<u>4,763,951</u>	<u>5,235,364</u>	<u>9,999,315</u>
Fund balances			
Nonspendable	801,571	-	801,571
Restricted	6,544,122	1,223,919	7,768,041
Assigned	38,358	-	38,358
Unassigned	8,053,322	-	8,053,322
Total Fund Balances	<u>15,437,373</u>	<u>1,223,919</u>	<u>16,661,292</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 20,201,324</u>	<u>\$ 6,459,283</u>	<u>\$ 26,660,607</u>

The accompanying notes are an integral part of the financial statements.

Incorporated Village of Freeport, New York

Reconciliation of Governmental Funds Balance Sheet to
the Government-Wide Statement of Net Position
February 28, 2018

Fund Balances - Total Governmental Funds	\$ 16,661,292
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>52,583,823</u>
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reflected as deferred in the funds. Deferred tax revenues	<u>593,793</u>
Governmental funds do not report the effect of losses on refunding bonds and liabilities relating to net pension liabilities whereas these amounts are deferred and amortized in the statement of activities. Deferred amounts on refunding bonds Deferred amounts on net pension liabilities Deferred amounts on fire service awards	<u>890,819</u> <u>12,365,957</u> <u>938,034</u>
	<u>14,194,810</u>
Long-term liabilities that are not due and payable in the current period are not reported in the funds. Accrued interest payable Bonds payable Bond anticipation notes payable Claims and tax certiorari payable Compensated absences Pension obligations Net pension liabilities Total pension liability - fire service awards Other post employment benefit obligations payable	<u>(490,422)</u> <u>(42,959,590)</u> <u>(1,680,000)</u> <u>(9,018,410)</u> <u>(22,124,382)</u> <u>(3,906,786)</u> <u>(11,535,247)</u> <u>(11,356,929)</u> <u>(58,014,298)</u>
	<u>(161,086,064)</u>
Net Position of Governmental Activities	<u>\$ (77,052,346)</u>

The accompanying notes are an integral part of the financial statements.

Incorporated Village of Freeport, New York

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended February 28, 2018

	General	Capital Projects	Total Governmental Funds
REVENUES			
Real property taxes	\$ 42,004,464	\$ -	\$ 42,004,464
Other tax items	5,706,695	-	5,706,695
Non-property taxes	1,052,887	-	1,052,887
Departmental income	7,372,236	-	7,372,236
Intergovernmental revenues	6,500	-	6,500
Interfund revenues	1,102,176	-	1,102,176
Use of money and property	1,560,696	-	1,560,696
Net change in fair value of investments	435,717	-	435,717
Licenses and permits	2,350,929	-	2,350,929
Fines and forfeitures	3,054,113	-	3,054,113
Sale of property and compensation for loss	26,911	-	26,911
State aid	1,938,330	253,535	2,191,865
Federal aid	214,190	59,900	274,090
Miscellaneous	30,527	-	30,527
Total Revenues	66,856,371	313,435	67,169,806
EXPENDITURES			
Current			
General government support	10,660,969	-	10,660,969
Public safety	21,776,380	-	21,776,380
Health	2,258	-	2,258
Transportation	2,344,993	-	2,344,993
Economic opportunity and development	154,178	-	154,178
Culture and recreation	3,346,326	-	3,346,326
Home and community services	3,539,226	-	3,539,226
Employee benefits	19,507,658	-	19,507,658
Capital outlay	-	2,102,880	2,102,880
Debt service			
Principal	11,851,838	-	11,851,838
Interest	1,314,393	-	1,314,393
Total Expenditures	74,498,219	2,102,880	76,601,099
Deficiency of Revenues Over Expenditures	(7,641,848)	(1,789,445)	(9,431,293)
OTHER FINANCING SOURCES (USES)			
Insurance recoveries	548,780	-	548,780
Sale of real property	365,000	-	365,000
Bond anticipation notes issued	1,680,000	-	1,680,000
Bonds issued	5,895,000	4,389,000	10,284,000
Transfers in	1,287,795	1,460,000	2,747,795
Transfers out	(1,460,000)	(926,971)	(2,386,971)
Total Other Financing Sources	8,316,575	4,922,029	13,238,604
Net Change in Fund Balances	674,727	3,132,584	3,807,311
FUND BALANCES (DEFICITS)			
Beginning of Year	14,762,646	(1,908,665)	12,853,981
End of Year	<u>\$ 15,437,373</u>	<u>\$ 1,223,919</u>	<u>\$ 16,661,292</u>

The accompanying notes are an integral part of the financial statements.

Incorporated Village of Freeport, New York

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended February 28, 2018

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 3,807,311</u>
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay expenditures	2,748,285
Disposition of land	(606,594)
Depreciation expense	<u>(4,238,276)</u>
	<u>(2,096,585)</u>
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Real property taxes	<u>(25,318)</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Bonds issued	(10,284,000)
Bond anticipation notes issued	(1,680,000)
Principal paid on bond anticipation notes	6,295,000
Principal paid on bonds	5,556,838
Amortization of loss on refunding bonds and issuance premium	<u>76,312</u>
	<u>(35,850)</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued interest	69,100
Claims and tax certiorari payable	1,430,949
Compensated absences	(738,006)
Pension obligations	595,736
Net pension liabilities	(571,976)
Total pension liability - fire service awards	(1,326,862)
Other post employment benefit obligations	<u>(6,641,982)</u>
	<u>(7,183,041)</u>
Change in Net Position of Governmental Activities	<u>\$ (5,533,483)</u>

The accompanying notes are an integral part of the financial statements.

Incorporated Village of Freeport, New York

Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
General Fund
Year Ended February 28, 2018

	Original Budget (1)	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Real property taxes	\$ 41,934,831	\$ 41,934,831	\$ 42,004,464	\$ 69,633
Other tax items	7,313,212	7,313,212	5,706,695	(1,606,517)
Non-property taxes	1,079,000	1,079,000	1,052,887	(26,113)
Departmental income	7,309,090	7,321,590	7,372,236	50,646
Intergovernmental revenues	6,500	6,500	6,500	-
Interfund revenues	1,463,000	1,463,000	1,102,176	(360,824)
Use of money and property	1,280,852	1,280,852	1,996,413	715,561
Licenses and permits	2,012,250	2,012,250	2,350,929	338,679
Fines and forfeitures	3,870,000	3,870,000	3,054,113	(815,887)
Sale of property and compensation for loss	34,400	34,400	26,911	(7,489)
State aid	1,363,311	1,363,311	1,938,330	575,019
Federal aid	21,000	38,350	214,190	175,840
Miscellaneous	175,200	175,200	30,527	(144,673)
Total Revenues	67,862,646	67,892,496	66,856,371	(1,036,125)
EXPENDITURES				
Current				
General government support	11,723,757	12,156,457	10,660,969	1,495,488
Public safety	22,601,927	22,564,677	21,776,380	788,297
Health	3,350	3,350	2,258	1,092
Transportation	2,471,108	2,461,608	2,344,993	116,615
Economic opportunity and development	236,171	250,071	154,178	95,893
Culture and recreation	3,407,326	3,483,126	3,346,326	136,800
Home and community services	4,004,518	4,005,218	3,539,226	465,992
Employee benefits	18,947,208	19,730,708	19,507,658	223,050
Debt service				
Principal	6,749,686	11,999,686	11,851,838	147,848
Interest	1,360,181	1,360,181	1,314,393	45,788
Total Expenditures	71,505,232	78,015,082	74,498,219	3,516,863
Deficiency of Revenues Over Expenditures	(3,642,586)	(10,122,586)	(7,641,848)	2,480,738
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	200,000	450,000	548,780	98,780
Sale of real property	1,800,000	1,800,000	365,000	(1,435,000)
Bond anticipation notes issued	1,250,000	2,230,000	1,680,000	(550,000)
Bonds issued	-	5,895,000	5,895,000	-
Transfers in	101,063	916,063	1,287,795	371,732
Transfers out	-	(1,460,000)	(1,460,000)	-
Total Other Financing Sources	3,351,063	9,831,063	8,316,575	(1,514,488)
Net Change in Fund Balance	(291,523)	(291,523)	674,727	966,250
FUND BALANCE				
Beginning of Year	291,523	291,523	14,762,646	14,471,123
End of Year	\$ -	\$ -	\$ 15,437,373	\$ 15,437,373

(1) Includes prior year encumbrances of \$86,323.

The accompanying notes are an integral part of the financial statements.

Incorporated Village of Freeport, New York

Statement of Net Position
 Proprietary Funds
 February 28, 2018

	Business-type Activities - Enterprise Funds		
	Water	Electric	Totals
ASSETS			
Current assets			
Cash and equivalents	\$ 93,337	\$ 1,834,060	\$ 1,927,397
Investments	1,715,485	4,172,528	5,888,013
Accounts receivable	2,897,336	5,393,498	8,290,834
Due from other funds	499,328	373,235	872,563
Inventories	61,258	2,288,486	2,349,744
Prepaid expenses	19,503	106,254	125,757
Total Current Assets	5,286,247	14,168,061	19,454,308
Non-current assets			
Costs to be recovered from future revenues	3,539,482	13,703,529	17,243,011
Regulatory deposit	-	329,923	329,923
Capital assets			
Not being depreciated	85,981	753,811	839,792
Being depreciated, net	16,714,294	59,590,017	76,304,311
Total Non-Current Assets	20,339,757	74,377,280	94,717,037
Total Assets	25,626,004	88,545,341	114,171,345
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts on refunding bonds	133,292	1,793,986	1,927,278
Deferred amounts on net pension liabilities	548,730	2,379,937	2,928,667
Total Deferred Outflows of Resources	682,022	4,173,923	4,855,945
LIABILITIES			
Current liabilities			
Accounts payable	830,306	1,365,839	2,196,145
Accrued interest payable	64,760	290,659	355,419
Accrued liabilities	26,309	-	26,309
Due to other funds	218,170	3,663,178	3,881,348
Customer deposits	-	1,407,880	1,407,880
Regulatory liabilities	-	5,041,734	5,041,734
Bond anticipation notes payable	1,100,000	-	1,100,000
Unearned revenues	-	229,241	229,241
Total Current Liabilities	2,239,545	11,998,531	14,238,076
Non-current liabilities			
Due within one year	1,272,383	4,334,028	5,606,411
Due in more than one year	10,969,258	64,677,019	75,646,277
Total Non-Current Liabilities	12,241,641	69,011,047	81,252,688
Total Liabilities	14,481,186	81,009,578	95,490,764
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts on net pension liabilities	108,896	472,298	581,194
NET POSITION			
Net investment in capital assets	8,315,577	13,433,297	21,748,874
Unrestricted	3,402,367	(2,195,909)	1,206,458
Total Net Position	\$ 11,717,944	\$ 11,237,388	\$ 22,955,332

The accompanying notes are an integral part of the financial statements.

Incorporated Village of Freeport, New York

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Funds
 Year Ended February 28, 2018

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Electric</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ 6,669,601	\$ 32,626,054	\$ 39,295,655
Interest and penalties	456,607	-	456,607
Miscellaneous	-	274,545	274,545
	<u>7,126,208</u>	<u>32,900,599</u>	<u>40,026,807</u>
Total Operating Revenues			
OPERATING EXPENSES			
Power generation	-	14,153,580	14,153,580
Power and pumping	2,099,439	-	2,099,439
Transmission and distribution services	248,937	1,520,547	1,769,484
Street lighting and signal system	-	189,064	189,064
Customer counting and collection	-	890,280	890,280
Administrative and general	2,206,750	9,388,132	11,594,882
Depreciation	757,624	2,964,085	3,721,709
Charges in lieu of taxes	1,344,150	3,747,000	5,091,150
Miscellaneous	-	82,576	82,576
	<u>6,656,900</u>	<u>32,935,264</u>	<u>39,592,164</u>
Total Operating Expenses			
Income (Loss) from Operations	<u>469,308</u>	<u>(34,665)</u>	<u>434,643</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	18,168	43,152	61,320
Interest expense	(227,271)	(1,869,935)	(2,097,206)
Costs to be covered from future revenues	372,736	1,456,015	1,828,751
	<u>163,633</u>	<u>(370,768)</u>	<u>(207,135)</u>
Total Non-Operating Revenues (Expenses)			
Income Before Transfers	632,941	(405,433)	227,508
Transfers Out	<u>(360,824)</u>	<u>-</u>	<u>(360,824)</u>
Change in Net Position	272,117	(405,433)	(133,316)
NET POSITION			
Beginning of Year	<u>11,445,827</u>	<u>11,642,821</u>	<u>23,088,648</u>
End of Year	<u>\$ 11,717,944</u>	<u>\$ 11,237,388</u>	<u>\$ 22,955,332</u>

The accompanying notes are an integral part of the financial statements.

Incorporated Village of Freeport, New York

Statement of Cash Flows
 Proprietary Funds
 Year Ended February 28, 2018

	Business-type Activities - Enterprise Funds		
	Water	Electric	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from charges for services	\$ 7,206,802	\$ 29,507,416	\$ 36,714,218
Cash received from interfund services provided	-	2,580,787	2,580,787
Cash payments for goods, services and compensation	(3,537,884)	(26,302,855)	(29,840,739)
Cash payments for interfund services used	(1,360,935)	(2,152,574)	(3,513,509)
Net Cash From Operating Activities	2,307,983	3,632,774	5,940,757
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on bonds	(1,174,185)	(3,628,977)	(4,803,162)
Bonds issued	171,500	1,075,000	1,246,500
Principal paid on bond anticipation notes	(181,500)	(1,115,000)	(1,296,500)
Bond anticipation notes issued	1,100,000	-	1,100,000
Interest paid on indebtedness	(228,664)	(1,922,306)	(2,150,970)
Acquisition and construction of capital assets	(809,098)	(1,020,177)	(1,829,275)
Loss on disposal of capital assets	-	140,538	140,538
Transfers out	(360,824)	-	(360,824)
Net Cash From Capital and Related Financing Activities	(1,482,771)	(6,470,922)	(7,953,693)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investments	-	1,564,893	1,564,893
Purchase of investments	(1,040,997)	-	(1,040,997)
Interest income	18,168	43,152	61,320
Net Cash From Investing Activities	(1,022,829)	1,608,045	585,216
Net Change in Cash and Equivalents	(197,617)	(1,230,103)	(1,427,720)
CASH AND EQUIVALENTS			
Beginning of Year	290,954	3,064,163	3,355,117
End of Year	\$ 93,337	\$ 1,834,060	\$ 1,927,397
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES			
Income (loss) from operations	\$ 469,308	\$ (34,665)	\$ 434,643
Adjustments to reconcile income (loss) from operations to net cash from operating activities			
Depreciation	757,624	2,964,085	3,721,709
Changes in operating assets and liabilities			
Accounts receivable	80,594	(928,185)	(847,591)
Due from other funds	5,355	93,278	98,633
Inventories	22,881	357,960	380,841
Prepaid expenses	1,082	8,050	9,132
Regulatory deposit	-	(289,903)	(289,903)
Accounts payable	560,573	(51,477)	509,096
Accrued liabilities	8,640	-	8,640
Due to other funds	(16,785)	1,594,426	1,577,641
Due to other governments	-	(132,867)	(132,867)
Customer deposits	-	22,511	22,511
Regulatory liabilities	-	(1,685,156)	(1,685,156)
Pension obligations	(40,604)	(176,112)	(216,716)
Compensated absences	804	62,801	63,605
Net pension liabilities, net of deferred amounts	85,775	372,013	457,788
Other post employment benefit obligations payable	372,736	1,456,015	1,828,751
Net Cash from Operating Activities	\$ 2,307,983	\$ 3,632,774	\$ 5,940,757

The accompanying notes are an integral part of the financial statements.

Incorporated Village of Freeport, New York

Statement of Assets and Liabilities
Fiduciary Fund
February 28, 2018

	<u>Agency</u>
ASSETS	
Cash and equivalents	\$ 282,371
Investments	17,901
Accounts receivable	<u>746,072</u>
 Total Assets	 <u><u>\$ 1,046,344</u></u>
 LIABILITIES	
Accounts payable	\$ 266,755
Deposits	666,551
Employee payroll deductions	<u>113,038</u>
 Total Liabilities	 <u><u>\$ 1,046,344</u></u>

The accompanying notes are an integral part of the financial statements.

Note 1 - Summary of Significant Accounting Policies

The Incorporated Village of Freeport, New York ("Village") is a municipality located in the State of New York. It was established in 1892, and is governed by its Charter, New York State Village Law, and other general municipal laws of the State of New York. The Village Board of Trustees is the legislative body responsible for overall operations. The Village Mayor serves as the Chief Executive Officer and the Treasurer serves as the Chief Financial Officer. The Village provides the following services to its residents: public safety, health, transportation, economic opportunity and development, culture and recreation, home and community services, general and administrative support and water and electric service.

The accounting policies of the Village conform to generally accepted accounting principles as applicable to governmental units and the Uniform System of Accounts as prescribed by the State of New York. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Village's more significant accounting policies:

A. Financial Reporting Entity

The financial reporting entity consists of a) the primary government, which is the Village, b) organizations for which the Village is financially accountable and c) other organizations for which the nature and significance of their relationship with the Village are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

In evaluating how to define the Village, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the Village's reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. Based upon the application of these criteria, the following discretely presented component unit is included in the Village's reporting entity because of its operational or financial relationship with the Village. Discretely presented component units are presented as a separate column in the government-wide financial statements to emphasize that they are legally separate from the Village.

The Village of Freeport Community Development Agency ("Agency") is a public benefit corporation created by state legislation to promote the safety, health and welfare of the Village's inhabitants and to promote the sound growth and development of the Village. The Mayor of the Village serves as the Chairman and appoints the Community Development Commissioners. The Village acts as a pass-through entity for funding received from the Federal U.S. Department of Housing and Urban Development ("HUD") through contracts with the County of Nassau, New York ("County"). Audited financial statements are not currently available for the Agency (see Note 2D).

Excluded from the reporting entity is the Village of Freeport Housing Authority ("Authority"), which was created in 1957 by the New York State Legislature. Although the Authority is related to the Village, it is excluded based on the following: (a) only the governing board of the Authority is appointed by the Mayor; (b) the local government provides no subsidy to the Authority nor is it responsible for the operational deficits of the Authority; (c) the Authority's debt is essentially supported by the operating revenues of the Authority and is not guaranteed by the Village; (d) the local government does not appoint management of the Authority nor does it approve the Authority's budget, contracts or hiring of staff and (e) the Village has no oversight responsibility for funds of the Authority.

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the primary government as a whole, except for interfund services provided and used. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the financial position of the Village at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The Village does not allocate indirect expenses to functions in the Statement of Activities.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Enterprise Funds are charges to customers for services. Operating expenses for the Enterprise Funds include the cost of services, administrative expenses and benefit costs. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

C. Fund Financial Statements

The accounts of the Village are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts, which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances/net position, revenues and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The Village maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. Proprietary and fiduciary funds are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explain the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation. The Village's resources are reflected in the fund financial statements in three broad fund categories, in accordance with generally accepted accounting principles as follows:

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Categories

- a. Governmental Funds - Governmental Funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following represents the Village's major governmental funds.

General Fund - The General Fund constitutes the primary operating fund of the Village and is used to account for and report all financial resources not accounted for and reported in another fund.

Capital Projects Fund - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets, other than those financed by proprietary funds.

- b. Proprietary Funds - Proprietary funds are used to account for operations that are financed and operated in a manner similar to private enterprises or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability. Enterprise funds are used to account for those operations that provide services to the public. The operations of the Water and Electric Funds are recorded as enterprise funds.
- c. Fiduciary Funds (Not Included in Government-Wide Statements) - Fiduciary Funds are used to account for assets held by the Village in an agency capacity on behalf of others. The Agency Fund is used to account for employee payroll tax withholdings and various other deposits that are payable to other jurisdictions.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds. The Agency Fund has no measurement focus but utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note 1 - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within sixty days of the fiscal year end. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are recognized as revenue when the expenditure is made. A ninety day availability period is generally used for revenue recognition for most other governmental fund revenues. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to certain claims, tax certiorari, compensated absences, certain pension obligations, net pension liabilities, total pension liabilities and other post employment benefit obligations are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances

Cash and Equivalents, Investments and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and short-term investments with original maturities of less than three months from the date of acquisition.

The Village's deposits and investment policies are governed by State statutes. The Village has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The Village is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The Village has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Investments (except Service Awards Investments which are discussed in Note 3A) - Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

Investments of the Length of Service Award Program are invested in accordance with a statutory prudent person rule and in accordance with an investment policy adopted by the Village.

The Village follows the provisions of GASB Statement No. 72, "*Fair Value Measurements and Application*", which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs

Note 1 - Summary of Significant Accounting Policies (Continued)

have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

The Village participates in the Cooperative Liquid Assets Securities System ("CLASS"), a cooperative investment pool, established pursuant to Articles 3A and 5G of General Municipal Law of the State of New York. CLASS has designated Public Trust Advisors, LLC as its registered investment advisor. Public Trust Advisors, LLC is registered with the Securities and Exchange Commission ("SEC"), and is subject to all of the rules and regulations of an investment advisor handling public funds. As such, the SEC provides regulatory oversight of CLASS.

The pool is authorized to invest in various securities issued by the United States and its agencies, obligations of the State of New York and repurchase agreements. These investments are reported at fair value. CLASS issues separately available audited financial statements with a year end of June 30th. At February 28, 2018, the Village had \$16,531,331 in CLASS investments.

The Village's position in the pool is equal to the value of the pool shares. The maximum maturity for any specific investment in the portfolio is 397 days. CLASS is rated AAAM by Standard & Poor's. Local government investment cooperatives in this rating category meet the highest standards for credit quality, conservative investment policies and safety of principal. The cooperative invests in a high quality portfolio of investments legally permissible for municipalities and school districts in the State.

Additional information concerning the cooperative is presented in the annual report of CLASS, which may be obtained from Public Trust Advisors, LLC, 717 17th Street, Suite 1850, Denver, CO 80202.

Risk Disclosure

Interest Rate Risk - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the Village does not invest in any long-term investment obligations.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the Village's name. The Village's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at February 28, 2018.

Credit Risk - Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Village does not have a

Note 1 - Summary of Significant Accounting Policies (Continued)

formal credit risk policy other than restrictions to obligations allowable under General Municipal Law of the State of New York.

Concentration of Credit Risk - Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The Village's investment policy limits the amount on deposit at each of its banking institutions.

Taxes Receivable - Property taxes are levied and become a lien no later than March 1st each year. Taxes are levied based upon the taxable value of all real property located within the Village. Taxes are payable in two equal installments without penalty, on March 1st and September 1st. The first half of real property taxes becomes delinquent after April 1st and the second half becomes delinquent after October 1st. Thereafter, penalties and interest are imposed pursuant to the Real Property Tax Law. After certification and return of the tax warrant 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. Tax sale certificates are issued for all uncollected property taxes, in anticipation of the sale of properties in satisfaction of the property tax liens.

Other Receivables - Other receivables relating to governmental activities include amounts due from other governments and individuals for services provided by the Village as well as amounts due from franchise agreements and payments in lieu of taxes. Receivables relating to business-type activities primarily consist of amounts due from residents for sales or services rendered. Receivables are recorded and revenues recognized as earned or as specific program expenditures/expenses are incurred. Allowances are recorded when appropriate.

Due From/To Other Funds - During the course of its operations, the Village has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of February 28, 2018, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

Inventories - Inventories in governmental funds consisting of expendable supplies held for consumption are valued at average cost. These inventories are accounted for on the consumption method and are recorded as an expenditure at the time of usage. Reported amounts in the governmental funds are equally offset by nonspendable fund balance in the fund financial statements, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

Proprietary fund inventory, consisting of various parts and supplies, is accounted for on the consumption method and is stated at average cost.

Prepaid Expenses/Expenditures - Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items using the consumption method in both the government-wide and fund financial statements. Prepaid expenses/expenditures consist of pension and other costs which have been satisfied prior to the end of the fiscal year, but represent items, which have been provided for in the subsequent year's budget and will benefit such periods. Reported amounts in the governmental funds are equally offset by nonspendable fund balance in

Note 1 - Summary of Significant Accounting Policies (Continued)

the fund financial statements, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

Regulatory Assets and Liabilities - Costs to be Recovered from Future Revenues - The current rates for the sale of water and electricity in the Water and Electric funds includes amounts for postemployment benefits other than pensions that are expected to be paid out during the fiscal year, but not for the amount of the annual required contribution as calculated under Governmental Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions". In accordance with GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in the pre-November 30, 1989 Financial Accounting Standards Board and AICPA Pronouncements", the Village has deferred the excess of current annual required contributions over the amounts paid for the year ended February 28, 2018. The deferred costs will be recovered through future revenues as prescribed by the Village's Board of Trustees for the Water Fund and the ratemaking policies of the New York State Public Service Commission ("NYSPSC") for the Electric Fund. The costs to be recovered from the future revenues for the year ended February 28, 2018 were determined as follows:

	<u>Water Fund</u>	<u>Electric Fund</u>
Costs excluded from ratemaking policies		
Annual OPEB costs recoverable from rate payers	\$ 584,651	\$ 2,480,609
Costs included in current year rates		
Amount of current year payments	<u>(211,915)</u>	<u>(1,024,594)</u>
Costs to be recovered from future revenues	372,736	1,456,015
Beginning	<u>3,166,746</u>	<u>12,247,514</u>
Ending	<u>\$ 3,539,482</u>	<u>\$ 13,703,529</u>

Other Regulatory Assets and Liabilities - The Water Fund's ratemaking policies are established by the Village Board of Trustees. The financial statements of the Electric Fund reflect the ratemaking policies and orders of the NYSPSC. Accordingly, the Water and Electric funds follow GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in pre-November 30, 1989 FASB and AICPA Pronouncements", which allows for the deferral of expenses and income on the Statement of Net Position when it is probable that those expenses and income will be allowed in the rate setting process in a period different from the period in which they would have been reflected in the Statement of Revenues, Expenses, and Changes in Net Position. These deferred regulatory assets and liabilities are then recognized in the period in which the amounts are reflected in the rates. As of February 28, 2018, the Village's regulatory assets and liabilities, as reported in the Electric Fund, were \$329,923 and \$5,041,734, respectively.

Capital Assets - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Note 1 - Summary of Significant Accounting Policies (Continued)

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

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the Village chose to include all such items regardless of their acquisition date or amount. The Village was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year).

Land and construction-in-progress are not depreciated. Property, plant and equipment of the Village are depreciated using the straight-line method over the following estimated useful lives.

<u>Class</u>	<u>Life in Years</u>
Buildings	20-50
Improvements other than Buildings	20
Machinery and Equipment	5-10
Intangibles – Software	5
Infrastructure	25-50

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures on the governmental fund financial statements. Capital assets are not shown on the governmental fund balance sheet.

Intangible assets lack physical substance, are nonfinancial in nature, and have an estimated useful life extending beyond a single reporting period. The term depreciation, as used in these financial statements, includes amortization of intangible assets.

The Electric Fund's capital assets are depreciated using rates based on studies of the estimated useful lives and estimated net values of the assets. Donated property, if any, is recorded at the fair market value of \$1. The anticipated costs of removing assets upon retirement are provided for over the life of those assets as a component of depreciation expense. The following depreciation rates have been approved by the NYSPSC.

Buildings and structures	1.89% - 2.50%
Machinery and equipment	2.10% - 8.32%

In accordance with NYSPSC policies, the Electric Fund adjusts the accumulated depreciation for the following upon the retirement of a capital asset: (a) a reduction of the accumulated depreciation for the original cost of the asset, regardless if it is fully depreciated or not; (b) a reduction of the accumulated depreciation for the cost of removing the capital asset; (c) an increase to the accumulated depreciation for the costs of materials salvaged; and (d) an increase to the account for the minimal amount of cash receipts received.

Note 1 - Summary of Significant Accounting Policies (Continued)

Unearned Revenues - Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In government-wide financial statements, unearned revenues consist of revenue received in advance and/or revenue from grants received before the eligibility requirements have been met.

Unearned revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The Village has reported \$45,720 for grant funds received in advance in the General Fund and \$229,241 for advance collections of fees in the Electric Fund. Such amounts have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The Village reported deferred outflows of resources of \$890,819 and \$1,927,278 in the government-wide and proprietary fund Statements of Net Position. These amounts result from the difference in the carrying value of the refunded debt and its reacquisition price. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt.

The Village has reported deferred inflows of resources of \$593,793 for real property taxes in the General Fund. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

The Village also reported deferred outflows of resources and deferred inflows of resources in relation to its pension and fire service award obligations. These amounts are detailed in the discussion of the Village's pension and fire service award plans in Note 3G.

Long-Term Liabilities - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs expended as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

Compensated Absences - The various collective bargaining agreements provide for the payment of accumulated vacation and sick leave upon separation of service. The liability for such accumulated leave is reflected in the government-wide and proprietary fund financial statements as current and long-term liabilities. A liability for these amounts is reported in the governmental funds

Note 1 - Summary of Significant Accounting Policies (Continued)

only if the liability has matured through employee resignation or retirement. The liability for compensated absences includes salary related payments, where applicable.

Net Pension Liability - The net pension liability represents the Village's proportionate share of the net pension liability of the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System. The financial reporting of these amount are presented in accordance with the provisions of GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions*" and GASB Statement No. 71, "*Pension Transition for Contributions made Subsequent to the Measurement Date*".

Net Position - Net position represent the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the Statement of Net Position includes, net investment in capital assets and restricted for debt service. The balance is classified as unrestricted.

Fund Balances - Generally, fund balance represents the difference between current assets and deferred outflows of resources and current liabilities and deferred inflows of resources. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Village is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard the fund balance classifications are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance is reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification is used to report funds that are restricted for debt service obligations and for other items contained in General Municipal Law of the State of New York.

Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. The Board of Trustees is the highest level of decision making authority for the Village that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, these funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain amounts established and approved by the Board of Trustees.

Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the entity's highest level of decision making authority or a person with delegated authority from the governing board to assign amounts for a specific intended

Note 1 - Summary of Significant Accounting Policies (Continued)

purpose. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.

Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities and deferred inflows of resources, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows of resources.

In order to calculate the amounts to report as restricted and unrestricted fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Village's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Village's policy to use fund balance in the following order: committed, assigned and unassigned.

F. Encumbrances

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General and Capital Projects funds. Encumbrances outstanding at year-end are generally reported as assigned fund balance since they do not constitute expenditures or liabilities.

G. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

H. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 12, 2018.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 28, 2018

Note 2 - Stewardship, Compliance and Accountability

A. Budgetary Data

The Village generally follows the procedures enumerated below in establishing the budgetary data reflected in the financial statements:

- a) Prior to December 20th, the budget officer submits to the Village Clerk and the Village Board of Trustees, a tentative operating budget for the fiscal year commencing the following March 1st. The tentative budget includes proposed expenditures and the means of financing for the General and Capital Projects funds.
- b) The Board of Trustees conducts a public hearing on the tentative budget to obtain taxpayer comments on or before January 15th.
- c) After the public hearing and on or before February 1st, the Trustees meet to consider and adopt the budget, at which time they are required to file the document with the Village Clerk.
- d) Formal budgetary integration is employed during the year as a management control device for the General Fund.
- e) The budget for the General Fund is legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. The Board of Trustees does not adopt an annual budget for the Water and Electric funds.
- f) The Board of Trustees has established legal control of the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval by the Board. Any modification to appropriations resulting from an increase in revenue estimates or supplemental reserve appropriations also require a majority vote by the Board.
- g) Appropriations in the General Fund lapse at the end of the fiscal year, except that outstanding encumbrances, if any, are reappropriated in the succeeding year pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

Budgeted amounts are as originally adopted, or as amended by the Board of Trustees.

B. Property Tax Limitation

The Village is permitted by the Constitution of the State of New York to levy taxes up to 2% of the five year average full valuation of taxable real estate located within the Village, exclusive of the amount raised for the payment of interest on and redemption of long-term debt. In accordance with this definition, the maximum amount of the levy for the 2018 fiscal year was \$69,132,695 which exceeded the actual levy, after exclusions by \$27,197,864.

On June 24, 2011, the Governor signed Chapter 97 of the Laws of 2011 ("Tax Levy Limitation Law"). This applies to all local governments.

Note 2 - Stewardship, Compliance and Accountability (Continued)

The Tax Levy Limitation Law restricts the amount of real property taxes that may be levied by a Village in a particular year. The original legislation that established the Tax Levy Limitation Law was set to expire on June 16, 2016. Chapter 20 of the Laws of 2015 extends the Tax Levy Limitation Law through June 2020.

The following is a brief summary of certain relevant provisions of the Tax Levy Limitation Law. The summary is not complete and the full text of the Tax Levy Limitation Law should be read in order to understand the details and implementations thereof.

The Tax Levy Limitation Law imposes a limitation on increases in the real property tax levy, subject to certain exceptions. The Tax Levy Limitation Law permits the Village to increase its overall real property tax levy over the tax levy of the prior year by no more than the "Allowable Levy Growth Factor," which is the lesser of one and two-one hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by (ii) the average of the National Consumer Price Indexes determined by the United States Department of Labor with the result expressed as a decimal to four places. The Village is required to calculate its tax levy limit for the upcoming year in accordance with the provision above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limitation Law sets forth certain exclusions to the real property tax levy limitation of the Village, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the Village. The Village Board of Trustees may adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the Village Board of Trustees first enacts, by a vote of at least sixty percent of the total voting power of the Village Board of Trustees, a local law to override such limit for such coming fiscal year.

C. Cumulative Effect of Change in Accounting Principle

The Village, for the year ended February 28, 2018, implemented the requirements of GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68" that address financial reporting for assets accumulated for purposes of providing the Length of Service Awards Program ("LOSAP") pensions. As a result of adopting this standard, a cumulative effect for the change in accounting principle of \$(10,030,067) was recorded in the government-wide financial statements, which includes \$(10,120,745) related to the opening total LOSAP liability less \$90,678 which relates to the opening deferred outflows of resources of the total LOSAP liability.

D. Departure from Generally Accepted Accounting Principles

Due to the nature and significance of the relationship between the Village and the Agency, GASB Statement No. 61 requires that the discretely presented component unit be included within the financial statements of the primary government to be in conformity with generally accepted accounting principles. As of the date of this report, the financial statements of the Agency were not available and as such have been omitted.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2018

Note 3 - Detailed Notes on All Funds

A. Investments

The Village had the following investments and average maturities in its Service Awards Program:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>N/A</u>	<u>1-5 Years</u>	<u>5-10 Years</u>
Money market funds	\$ 197,772	\$ 197,772	\$ -	\$ -
Bond funds	2,361,268	-	1,183,441	1,177,827
U.S. and International Equities funds	2,219,398	2,219,398	-	-
Mixed asset funds	1,179,142	1,179,142	-	-
	<u>\$ 5,957,580</u>	<u>\$ 3,596,312</u>	<u>\$ 1,183,441</u>	<u>\$ 1,177,827</u>

These investments had the following average credit ratings:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>N/A</u>	<u>A or better</u>	<u>BBB</u>	<u>BB</u>	<u>B or less</u>	<u>Not Rated</u>
Money market funds	\$ 197,772	\$ 197,772	\$ -	\$ -	\$ -	\$ -	\$ -
Bond funds	2,361,268	-	215,757	147,763	92,720	1,233,245	671,783
U.S. and International Equities funds	2,219,398	2,219,398	-	-	-	-	-
Mixed asset funds	1,179,142	1,179,142	-	-	-	-	-
	<u>\$ 5,957,580</u>	<u>\$ 3,596,312</u>	<u>\$ 215,757</u>	<u>\$ 147,763</u>	<u>\$ 92,720</u>	<u>\$ 1,233,245</u>	<u>\$ 671,783</u>

B. Taxes Receivable

Taxes receivable at February 28, 2018 consisted of the following:

Tax liens \$ 783,897

Taxes receivable are also partially offset by deferred tax revenues of \$593,793 which represents an estimate of the taxes receivable which will not be collected within the first sixty days of the subsequent year.

C. Due From/To Other Funds

The balances reflected as due from/to other funds at February 28, 2018 were as follows:

	<u>Due From</u>	<u>Due To</u>
Governmental Activities		
General Fund	\$ 3,732,744	\$ 1,092,396
Capital Projects Fund	839,270	470,833
Business-type Activities		
Water Fund	499,328	218,170
Electric Fund	373,235	3,663,178
	<u>\$ 5,444,577</u>	<u>\$ 5,444,577</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2018

Note 3 - Detailed Notes on All Funds (Continued)

The outstanding balances between funds results mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occurred, 2) transactions are recorded in the accounting system and 3) payments between funds are made.

D. Capital Assets

Changes in the Village's capital assets are as follows:

Class	Balance March 1, 2017	Additions	Deletions	Balance February 28, 2018
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 4,593,377	\$ -	\$ 606,594	\$ 3,986,783
Construction-in-progress	178,992	900,133	71,185	1,007,940
Total Capital Assets, not being depreciated	<u>\$ 4,772,369</u>	<u>\$ 900,133</u>	<u>\$ 677,779</u>	<u>\$ 4,994,723</u>
Capital Assets, being depreciated:				
Buildings	\$ 14,287,809	\$ 923,750	\$ -	\$ 15,211,559
Improvements Other Than Buildings	17,966,272	101,709	-	18,067,981
Machinery and Equipment	15,807,988	487,216	851,685	15,443,519
Intangibles - Software	1,245,655	-	-	1,245,655
Infrastructure	73,077,229	406,662	-	73,483,891
Total Capital Assets, being depreciated	<u>122,384,953</u>	<u>1,919,337</u>	<u>851,685</u>	<u>123,452,605</u>
Less Accumulated Depreciation for:				
Buildings	8,633,973	396,707	-	9,030,680
Improvements Other Than Buildings	10,557,050	723,974	-	11,281,024
Machinery and Equipment	12,220,430	736,779	851,685	12,105,524
Intangibles - Software	646,223	122,895	-	769,118
Infrastructure	40,419,238	2,257,921	-	42,677,159
Total Accumulated Depreciation	<u>72,476,914</u>	<u>4,238,276</u>	<u>851,685</u>	<u>75,863,505</u>
Total Capital Assets, being depreciated, net	<u>\$ 49,908,039</u>	<u>\$ (2,318,939)</u>	<u>\$ -</u>	<u>\$ 47,589,100</u>
Governmental Activities Capital Assets, net	<u>\$ 54,680,408</u>	<u>\$ (1,418,806)</u>	<u>\$ 677,779</u>	<u>\$ 52,583,823</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2018

Note 3 - Detailed Notes on All Funds (Continued)

Class	Balance March 1, 2017	Additions	Deletions	Balance February 28, 2018
Water Fund:				
Capital Assets, not being depreciated -				
Land	\$ 85,981	\$ -	\$ -	\$ 85,981
Capital Assets, being depreciated:				
Buildings	\$ 9,447,075	\$ -	\$ -	\$ 9,447,075
Improvements Other Than Buildings	2,046,682	55,939	-	2,102,621
Machinery and Equipment	886,995	82,916	18,000	951,911
Infrastructure	19,685,634	670,243	-	20,355,877
 Total Capital Assets, being depreciated	 32,066,386	 809,098	 18,000	 32,857,484
Less Accumulated Depreciation for:				
Buildings	2,414,049	184,543	-	2,598,592
Improvements Other Than Buildings	984,798	103,037	-	1,087,835
Machinery and Equipment	812,414	18,461	18,000	812,875
Infrastructure	11,192,305	451,583	-	11,643,888
 Total Accumulated Depreciation	 15,403,566	 757,624	 18,000	 16,143,190
 Total Capital Assets, being depreciated, net	 \$ 16,662,820	 \$ 51,474	 \$ -	 \$ 16,714,294
 Water Fund				
Capital Assets, net	\$ 16,748,801	\$ 51,474	\$ -	\$ 16,800,275
Electric Fund:				
Capital Assets, not being depreciated:				
Land	\$ 84,239	\$ -	\$ -	\$ 84,239
Construction-in-progress	797,730	517,450	645,608	669,572
 Total Capital Assets, not being depreciated	 \$ 881,969	 \$ 517,450	 \$ 645,608	 \$ 753,811

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2018

Note 3 - Detailed Notes on All Funds (Continued)

Class	Balance March 1, 2017	Additions	Deletions	Balance February 28, 2018
Electric Fund (Continued):				
Capital Assets, being depreciated:				
Buildings	\$ 11,877,274	\$ 330	\$ -	\$ 11,877,604
Machinery and Equipment	<u>107,388,066</u>	<u>1,148,005</u>	<u>1,128,458</u>	<u>107,407,613</u>
Total Capital Assets, being depreciated	<u>119,265,340</u>	<u>1,148,335</u>	<u>1,128,458</u>	<u>119,285,217</u>
Less Accumulated Depreciation for:				
Buildings	7,505,055	224,604	-	7,729,659
Machinery and Equipment	<u>50,213,980</u>	<u>2,739,481</u>	<u>987,920</u>	<u>51,965,541</u>
Total Accumulated Depreciation	<u>57,719,035</u>	<u>2,964,085</u>	<u>987,920</u>	<u>59,695,200</u>
Total Capital Assets, being depreciated, net	<u>\$ 61,546,305</u>	<u>\$ (1,815,750)</u>	<u>\$ 140,538</u>	<u>\$ 59,590,017</u>
Electric Fund Capital Assets, net	<u>\$ 62,428,274</u>	<u>\$ (1,298,300)</u>	<u>\$ 786,146</u>	<u>\$ 60,343,828</u>

Depreciation expense was charged to the Village's functions and programs as follows:

Governmental Activities:	
General Government Support	\$ 169,531
Public Safety	635,741
Transportation	1,949,607
Culture and Recreation	805,273
Home and Community Services	<u>678,124</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 4,238,276</u>
Business-Type Activities:	
Water Fund	\$ 757,624
Electric Fund	<u>2,964,085</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 3,721,709</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2018

Note 3 - Detailed Notes on All Funds (Continued)

E. Accrued Liabilities

Accrued liabilities at February 28, 2018 were as follows:

	Governmental Activities	Business- Type Activities	Total
Payroll and employee benefits	\$ 518,106	\$ 26,309	\$ 544,415
Other	293,003	-	293,003
Total Accrued Liabilities	\$ 811,109	\$ 26,309	\$ 837,418

F. Short-Term Capital Borrowings

The schedule below details the changes in short-term capital borrowings:

Purpose	Original Issue Date	Maturity Date	Interest rate	Balance March 1, 2017	New Issues	Redemptions	Balance February 28, 2018
Governmental Funds							
Various public improvements	5/07/2016	5/02/2018	2.25 %	6,694,000	-	\$ 5,819,000	\$ 875,000
Various public improvements	7/06/2016	5/02/2018	2.00	1,230,000	1,780,000	30,000	2,980,000
Total				<u>\$ 7,924,000</u>	<u>\$ 1,780,000</u>	<u>\$ 5,849,000</u>	<u>\$ 3,855,000</u>
Business-type Activities - Water Fund							
Various public improvements	5/03/2016	5/02/2018	2.00	\$ 181,500	\$ 1,100,000	\$ 181,500	\$ 1,100,000
Business-type Activities - Electric Fund							
Various public improvements	5/03/2016	n/a	n/a	\$ 1,115,000	-	\$ 1,115,000	-

Liabilities for bond anticipation notes are generally accounted for in the Capital Projects Fund. Bond anticipation notes issued for judgments or settled claims are recorded in the fund paying the claim. Principal payments on bond anticipation notes must be made annually. State law requires that bond anticipation notes issued for capital purposes of judgments be converted to long-term obligations generally within five years after the original issue date.

Interest expenditures/expense of \$26,560 were recorded in the fund financial statements in the General Fund and in the government-wide financial statements for governmental activities. Interest expense of \$12,415 and was recorded in the Water Fund and in the government-wide financial statements for business-type activities.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2018

Note 3 - Detailed Notes on All Funds (Continued)

G. Long-Term Liabilities

The following table summarizes changes in the Village's long-term indebtedness for the year ended February 28, 2018:

	Balance, as Reported March 1, 2017	Cumulative Effect of Change in Accounting Principle *	Balance March 1, 2017, as Restated	New Issues/ Additions	Maturities and/or Payments	Balance February 28, 2018	Due Within One-Year
Governmental Activities:							
Bonds payable							
Capital Construction	\$ 36,610,063	\$ -	\$ 36,610,063	\$ 4,389,000	\$ 5,556,838	\$ 35,442,225	\$ 5,487,575
Judgments and Claims	-	-	-	5,895,000	-	5,895,000	565,057
	36,610,063	-	36,610,063	10,284,000	5,556,838	41,337,225	6,052,632
Unamortized premium on bonds	1,791,991	-	1,791,991	-	169,626	1,622,365	-
	38,402,054	-	38,402,054	10,284,000	5,726,464	42,959,590	6,052,632
Bond anticipation notes payable	6,295,000	-	6,295,000	1,680,000	6,295,000	1,680,000	1,680,000
Claims payable	9,193,938	-	9,193,938	910,721	2,339,316	7,765,343	776,000
Tax certiorari payable	1,255,421	-	1,255,421	1,253,067	1,255,421	1,253,067	196,677
Compensated absences	21,386,376	-	21,386,376	2,876,006	2,138,000	22,124,382	2,212,000
Pension obligations	4,502,522	-	4,502,522	-	595,736	3,906,786	616,064
Net pension liability	17,565,900	-	17,565,900	-	6,030,653	11,535,247	-
Total pension liability - Length of service award program	-	10,030,067	10,030,067	1,654,293	327,428	11,356,932	-
Other post employment benefit obligations payable	51,372,316	-	51,372,316	10,241,433	3,599,451	58,014,298	-
Governmental Activities Long-Term Liabilities	\$ 149,973,527	\$ 10,030,067	\$ 160,003,594	\$ 28,899,520	\$ 28,307,469	\$ 160,595,645	\$ 11,533,373
Business-Type Activities:							
Bonds payable	\$ 57,214,940	\$ -	\$ 57,214,940	\$ 1,246,500	\$ 4,803,162	\$ 53,658,278	\$ 5,053,140
Unamortized premium on bonds	2,770,339	-	2,770,339	-	206,110	2,564,229	-
	59,985,279	-	59,985,279	1,246,500	5,009,272	56,222,507	5,053,140
Compensated absences	3,233,224	-	3,233,224	386,605	323,000	3,296,829	329,000
Pension obligations	1,586,516	-	1,586,516	-	216,716	1,369,800	224,271
Net pension liability	5,367,491	-	5,367,491	-	2,246,950	3,120,541	-
Other post employment benefit obligations payable	15,414,260	-	15,414,260	3,065,260	1,236,509	17,243,011	-
Business - Type Activities Long-Term Liabilities	\$ 85,586,770	\$ -	\$ 85,586,770	\$ 4,698,365	\$ 9,032,447	\$ 81,252,688	\$ 5,606,411

*See Note 2C.

Each governmental fund's liability for compensated absences and claims payable are liquidated by the respective fund. The Village's indebtedness for bonds, bond anticipation notes, tax certiorari payable, pension obligations, net pension liability, total pension liability and other post employment benefit obligations is satisfied by the General Fund or the appropriate Proprietary Fund.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2018

Note 3 - Detailed Notes on All Funds (Continued)

Bonds Payable

Bonds payable at February 28, 2018 are comprised of the following individual issues:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rates	Governmental Funds	Business - Type Activities		Total
						Water Fund	Electric Fund	
2005 Refunding	2005	\$ 11,615,000	05/01/2018	5.000 %	\$ 302,000	\$ 100,000	\$ 1,013,000	\$ 1,415,000
2008 Series A	2008	23,693,927	05/01/2018	4.000-4.250	1,032,527	77,825	324,648	1,435,000
2008 Series B	2008	2,715,000	05/01/2018	5.750-5.875	-	-	200,000	200,000
2008 Series C	2008	3,515,000	10/15/2018	4.750-5.000	108,670	-	56,330	165,000
2011 Series A	2011	4,680,000	05/01/2022	3.000-3.625	1,915,000	485,000	-	2,400,000
2011 Series A - Refunding	2011	4,565,000	03/15/2018	2.000-2.250	517,193	98,861	23,947	640,001
2011 Series B - Refunding	2011	8,350,000	06/01/2024	2.000-4.000	2,799,896	1,080,682	824,422	4,705,000
2012 Series A - Refunding	2012	48,680,000	01/15/2032	2.000-5.000	-	-	37,960,000	37,960,000
2013 Series A	2013	5,965,000	05/01/2022	2.000	3,515,000	-	-	3,515,000
2014 Series A	2014	6,925,000	05/02/2028	2.000-3.000	4,676,000	879,000	-	5,555,000
2014 Series A - Refunding	2014	8,490,000	05/03/2024	2.000-5.000	3,077,705	553,915	48,380	3,680,000
2015 Series A - Refunding	2015	8,390,000	02/28/2026	1.400-4.000	3,423,140	3,238,331	198,529	6,860,000
2016 Series A - Refunding	2016	13,730,000	05/01/2028	2.000-5.000	9,686,094	625,526	3,328,382	13,640,002
2016 Series B - Refunding	2016	1,350,000	05/01/2023	1.300-2.250	-	-	1,295,000	1,295,000
2017 Series A	2017	11,530,500	11/01/2031	2.125-3.000	10,284,000	171,500	1,075,000	11,530,500
					<u>\$ 41,337,225</u>	<u>\$ 7,310,640</u>	<u>\$ 46,347,638</u>	<u>\$ 94,995,503</u>

Interest expenditures/expense of \$3,171,354 was recorded in the fund financial statements, as detailed below. Interest expense of \$941,151 was recorded in the government-wide financial statements for governmental activities.

Fund	Amount
Governmental Funds - General	\$ 1,086,563
Proprietary Funds	
Water	214,856
Electric	1,869,935
	<u>\$ 3,171,354</u>

Bond Anticipation Notes Payable

The schedule below details the changes in bond anticipation notes payable.

Purpose	Original Issue Date	Maturity Date	Interest Rate	Balance March 1, 2017	New Issues	Redemptions	Balance February 28, 2018
Tax certiorari/claims and judgments	2/10/2015	5/02/2018	2.25 %	\$ 6,295,000	\$ 1,680,000	\$ 6,295,000	\$ 1,680,000

The Village, pursuant to GASB guidance, has not recorded these liabilities in the fund financial statements since it has demonstrated an ability to consummate refinancing. The ability to consummate refinancing was evidenced by obtaining permanent financing or a renewal of the notes prior to the issuance of the financial statements.

Interest expenditures/expense of \$201,270 were recorded in the fund financial statements in the General Fund and in the government-wide financial statements for governmental activities.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 28, 2018

Note 3 - Detailed Notes on All Funds (Continued)

Payments to Maturity

The annual requirements to amortize all bonded and bond anticipation note debt outstanding as of February 28, 2018, including interest payments of \$19,574,914 are as follows:

Year Ending February 28,	Governmental Activities			
	Bonds Payable		Bond Anticipation Notes Payable	
	Principal	Interest	Principal	Interest
2019	\$ 6,052,362	\$ 1,261,001	\$ 1,680,000	\$ 37,800
2020	4,444,377	982,091	-	-
2021	4,566,980	860,751	-	-
2022	4,693,323	731,867	-	-
2023	4,819,170	594,750	-	-
2024-2028	12,892,197	1,356,916	-	-
2029-2032	3,868,816	207,567	-	-
	<u>\$ 41,337,225</u>	<u>\$ 5,994,943</u>	<u>\$ 1,680,000</u>	<u>\$ 37,800</u>

Year Ending February 28,	Business-Type Activities			
	Water Fund		Electric Fund	
	Bonds Payable		Bonds Payable	
	Principal	Interest	Principal	Interest
2019	\$ 1,196,362	\$ 192,632	\$ 3,856,778	\$ 1,769,835
2020	889,729	164,201	2,895,894	1,603,595
2021	906,536	141,889	3,026,484	1,477,350
2022	932,778	116,782	3,168,899	1,344,320
2023	955,006	89,753	3,320,825	1,206,563
2024-2028	2,373,485	134,358	16,424,320	4,059,085
2029-2032	56,744	3,317	13,654,438	1,238,491
	<u>\$ 7,310,640</u>	<u>\$ 842,932</u>	<u>\$ 46,347,638</u>	<u>\$ 12,699,239</u>

Total		
Year Ending February 28,	Principal	Interest
2019	\$ 12,785,502	\$ 3,261,268
2020	8,230,000	2,749,887
2021	8,500,000	2,479,990
2022	8,795,000	2,192,969
2023	9,095,001	1,891,066
2024-2028	31,690,002	5,550,359
2029-2032	17,579,998	1,449,375
	<u>\$ 96,675,503</u>	<u>\$ 19,574,914</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 28, 2018

Note 3 - Detailed Notes on All Funds (Continued)

The above general obligation bonds and bond anticipation notes are direct obligations of the Village for which its full faith and credit are pledged and are payable from taxes levied on all taxable real property within the Village.

Claims Payable

The government-wide statements reflect workers' compensation benefit and general liabilities, which are based upon estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported, but not settled, and of claims that have been incurred but not reported (IBNR's). The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect settlements, claim frequency and other economic and social factors. A provision for inflation in the calculation of estimated future costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and other factors that are considered to be appropriate modifiers of past experience.

An analysis of the unpaid claim liabilities is as follows:

	Workers' Compensation Benefits		General Liability	
	2018	2017	2018	2017
Balance - Beginning of Year	\$ 8,024,387	\$ 8,877,606	\$ 1,169,551	\$ 832,022
Provision for Claims and Claims Adjustment Expenses	(300,399)	591,032	1,211,120	946,601
Claims and Claims Adjustment Expenses Paid	<u>(1,356,434)</u>	<u>(1,444,251)</u>	<u>(982,882)</u>	<u>(609,072)</u>
Balance - End of Year	<u>\$ 6,367,554</u>	<u>\$ 8,024,387</u>	<u>\$ 1,397,789</u>	<u>\$ 1,169,551</u>
Due Within One Year	<u>\$ 637,000</u>	<u>\$ 802,000</u>	<u>\$ 139,000</u>	<u>\$ 117,000</u>

This amount has been recorded as an expense and liability in the government-wide financial statements. Tax certiorari payable includes an estimated liability of \$1,253,067 for tax certiorari refunds, which are not due and payable at year end. These amounts have been recorded as an expense in the government-wide financial statements.

Compensated Absences

Village employees are granted vacation and sick leave and earn compensatory absences in varying amounts, the terms of which must comply with the current collective bargaining agreements. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave, subject to certain limitations.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 28, 2018

Note 3 - Detailed Notes on All Funds (Continued)

Estimated vacation, sick leave and compensatory absences accumulated by governmental and business-type employees have been reported in the Statement of Net Position. Payment of vacation time and sick leave is dependent upon many factors; therefore timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation, sick leave and compensatory absences when such payments become due. As of February 28, 2018, the value of accumulated vacation time and sick leave for governmental and business-type activities was \$25,421,211.

Pension Obligations

The State Legislature enacted Chapter 57 of the Laws of 2010. This chapter authorized local governments, at their option, to amortize a portion of their respective ERS and PFRS contributions beginning in 2010. The maximum amortization amount each year going forward will be determined by the difference between each employer's effective contribution rate as compared to the System's overall graded rate. The amortized amounts are to be paid in equal annual installments over a ten year period, although amounts may be prepaid at any time. Interest will be charged at rates which approximate a market rate of return on taxable fixed rate securities of a comparable duration and will be adjusted annually. The Village has elected to amortize the maximum allowable ERS and PFRS contributions in each of the fiscal years since this option was first offered which is outlined in the table below.

	<u>Original Amount Amortized</u>	<u>Current Year Payments</u>	<u>Balance Due</u>	<u>Due Within One Year</u>
2011 ERS	\$ 219,327	\$ 25,387	\$ 84,032	\$ 26,656
2012 ERS	810,977	82,144	360,557	85,225
2012 PFRS	473,278	47,939	210,417	49,736
2013 ERS	1,066,045	104,664	572,340	107,803
2013 PFRS	745,692	73,211	400,349	75,407
2014 ERS	1,498,544	141,209	962,998	146,393
2014 PFRS	1,247,658	117,569	801,772	121,883
2015 ERS	658,090	60,659	481,615	62,569
2015 PFRS	689,872	63,588	504,875	65,591
2016 ERS	596,628	53,198	491,887	54,905
2016 PFRS	362,126	32,288	298,554	33,325
2017 PFRS	117,786	10,596	107,190	10,842
	<u>\$ 8,486,023</u>	<u>\$ 812,452</u>	<u>\$ 5,276,586</u>	<u>\$ 840,335</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
 February 28, 2018

Note 3 - Detailed Notes on All Funds (Continued)

The current year payments were charged to retirement expenditures in the funds identified below:

Fund	ERS	PFRS	Total
General	\$ 250,545	\$ 345,191	\$ 595,736
Water	40,606	-	40,606
Electric	176,110	-	176,110
	\$ 467,261	\$ 345,191	\$ 812,452

Pension Plans

New York State and Local Retirement System

The Village participates in the New York State and Local Employees' Retirement System ("ERS") and the New York State and Local Police and Fire Retirement System ("PFRS") which are collectively referred to as the New York State and Local Retirement System ("System"). These are cost-sharing, multiple-employer defined benefit pension plans. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund ("Fund"), which was established to hold all net assets and record changes in plan net position. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Village also participates in the Public Employees' Group Life Insurance Plan, which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at www.osc.state.ny.us/retire/about_us/financial_statements_index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31. The employer contribution rates for the plan's year ending in 2018 are as follows:

	Tier/Plan	Rate
ERS	2 75I	19.7 %
	3 A14	16.0
	4 A15	16.0
	5 A15	13.1
	6 A15	9.3

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2018

Note 3 - Detailed Notes on All Funds (Continued)

	<u>Tier/Plan</u>	<u>Rate</u>
PFRS	2 384E	25.3 %
	5 384E	20.6/24.2
	6 384E	15.4

At February 28, 2018, the Village reported a liability of \$3,607,663 and \$3,120,541 for its proportionate shares of the net pension liabilities of ERS in the governmental and business-type activities, respectively, and a liability of \$7,927,584 for its proportionate share of the net pension liability of PFRS. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Village's proportion of the net pension liability was based on a computation of the actuarially determined indexed present value of future compensation by employer relative to the total of all participating members. At March 31, 2017, the Village's proportion was 0.0716054% for ERS, which was a decrease of .0004984% from its proportion measured at March 31, 2016. At March 31, 2017, the Village's proportion was .3824851% for PFRS, which was a decrease of .0012147% from its proportion measured at March 31, 2016.

For the year ended February 28, 2018, the Village recognized pension expense in the government-wide financial statements of \$2,009,150 and \$1,680,150 for ERS in the governmental activities and business-type activities, respectively, and \$4,955,646 for PFRS in governmental activities. Pension expenditures of \$3,447,804 for ERS and \$4,408,865 for PFRS inclusive of retirement incentives and other pension obligations were recorded in the fund financial statements and were charged to the following funds:

	<u>ERS</u>	<u>PFRS</u>
General Fund	\$ 1,759,376	\$ 4,408,865
Enterprise Fund - Water	330,255	-
Enterprise Fund - Electric	1,358,173	-
	<u>\$ 3,447,804</u>	<u>\$ 4,408,865</u>

At February 28, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>ERS - Governmental Activities</u>		<u>ERS - Business-type Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 90,404	\$ 547,844	\$ 78,198	\$ 473,872
Changes of assumptions	1,232,510	-	1,066,091	-
Net difference between projected and actual earnings on pension plan investments	720,596	-	623,299	-
Changes in proportion and differences between Village contributions and proportionate share of contributions	18,599	124,075	16,087	107,322
Village contributions subsequent to the measurement date	1,323,728	-	1,144,992	-
	<u>\$ 3,385,837</u>	<u>\$ 671,919</u>	<u>\$ 2,928,667</u>	<u>\$ 581,194</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 28, 2018

Note 3 - Detailed Notes on All Funds (Continued)

	PFRS -	
	<u>Governmental Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,039,962	\$ 1,369,711
Changes of assumptions	3,905,588	-
Net difference between projected and actual earnings on pension plan investments	1,183,973	-
Changes in proportion and differences between Village contributions and proportionate share of contributions	1,226,703	4,517
Village contributions subsequent to the measurement date	3,670,041	-
	<u>\$ 11,026,267</u>	<u>\$ 1,374,228</u>

The amounts reported as deferred outflows of resources related to ERS and PFRS, respectively, resulting from the Village's accrued contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the plan's year ended March 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS and PFRS will be recognized in pension expense as follows:

Year Ended March 31,	ERS Governmental Activities	ERS Business-type Activities	PFRS
2018	\$ 631,582	\$ 546,304	\$ 1,879,702
2019	631,582	546,304	1,879,702
2020	616,593	533,338	1,791,335
2021	(489,567)	(423,465)	140,407
2022	-	-	290,852

The total pension liability for the March 31, 2017 measurement date was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liabilities to March 31, 2017. Significant actuarial assumptions used in the April 1, 2016 valuation were as follows:

Inflation	2.5%
Salary scale	3.8% in ERS, 4.5% in PFRS indexed by service
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation
Cost of living adjustments	1.3% annually

Annuitant mortality rates are based on the April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

The actuarial assumptions used in the April 1, 2016 valuation are based on the result of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 28, 2018

Note 3 - Detailed Notes on All Funds (Continued)

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

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	36 %	4.55 %
International Equity	14	6.35
Private Equity	10	7.75
Real Estate	10	5.80
Absolute Return Strategies	2	4.00
Opportunistic Portfolio	3	5.89
Real Assets	3	5.54
Bonds and Mortgages	17	1.31
Cash	1	(0.25)
Inflation Indexed Bonds	4	1.50
	<u>100 %</u>	

The real rate of return is net of the long-term inflation assumption of 2.5%.

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

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

	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
Governmental Activities proportionate share of the ERS net pension liability (asset)	<u>\$ 11,522,162</u>	<u>\$ 3,607,663</u>	<u>\$ (3,084,030)</u>
Business-type Activities proportionate share of the ERS net pension liability (asset)	<u>\$ 9,966,390</u>	<u>\$ 3,120,541</u>	<u>\$ (2,667,612)</u>
Governmental Activities proportionate share of the PFRS net pension liability (asset)	<u>\$ 22,474,242</u>	<u>\$ 7,927,584</u>	<u>\$ (4,273,500)</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 28, 2018

Note 3 - Detailed Notes on All Funds (Continued)

The components of the collective net pension liability as of the March 31, 2017 measurement date were as follows:

	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
Total pension liability	\$ 177,400,586,000	\$ 31,670,483,000	\$ 209,071,069,000
Fiduciary net position	<u>168,004,363,000</u>	<u>29,597,831,000</u>	<u>197,602,194,000</u>
Employers' net pension liability	<u>\$ 9,396,223,000</u>	<u>\$ 2,072,652,000</u>	<u>\$ 11,468,875,000</u>
Fiduciary net position as a percentage of total pension liability	<u>94.7%</u>	<u>93.5%</u>	<u>94.5%</u>

Employer contributions to ERS and PFRS are paid annually and cover the period through the end of the System's fiscal year, which is March 31st. Retirement contributions as of February 28, 2018 represent the employer contribution for the period of April 1, 2017 through February 28, 2018 based on paid ERS and PFRS wages multiplied by the employers' contribution rate, by tier.

Voluntary Defined Contribution Plan

The Village can offer a defined contribution plan to all non-union employees hired on or after July 1, 2013 and earning at the annual full-time salary rate of \$75,000 or more. The employee contribution is between 3% and 6% depending on salary and the Village will contribute 8%. Employer contributions vest after 366 days of service. No current employees participated in this program.

Fire Service Awards Program

The Village, pursuant to Article 11-A of the General Municipal Law of the State of New York and legislative resolution, has established a Length of Service Awards Program ("Program") for volunteer firefighters. This Program is a single employer defined benefit plan established as a grantor/rabbi trust and, as such, the assets are subject to the claims of the Village's general creditors. The Program is accounted for in the Village's financial statements within the General Fund.

Active volunteer firefighters, upon attainment of age 18, and upon earning 50 or more points in a calendar year after 1999 under the provisions of the Program point system, are eligible to become participants in the Program. Points are granted for the performance of certain activities in accordance with a system established by the Village on the basis of a statutory list of activities and point values. A participant may also receive credit for five years of firefighting service rendered prior to the establishment of the Program. Participants are fully vested upon attainment of entitlement age, upon death or upon general disablement and after earning five years of service credit. A participant, upon attainment of entitlement age (the later of age 62 or the participant's age after earning 50 program points), shall be able to receive their service award, payable in the form of a ten-year certain and continuous monthly payment life annuity. The monthly benefits are \$20 for each year of service credit, up to a maximum of 30 years. The benefits and refunds of the plan are recognized when due and payable in accordance with the terms of the plan. The Program also provides disability and death benefits. The trustees of the Program, which are the members of the Village Board, are authorized to invest the funds in authorized investment vehicles. Administrative costs are paid by the Village from the General Fund. Separate financial statements are not issued by the Program.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2018

Note 3 - Detailed Notes on All Funds (Continued)

At the December 31, 2017 measurement date, the following participants were covered by the benefit terms.

Inactive participants currently receiving benefits payments	68
Inactive participants entitled to but not yet receiving benefits payments	110
Active participants	<u>246</u>
Total	<u><u>424</u></u>

The General Municipal Law of the State of New York requires the Village to contribute an actuarially determined contribution on an annual basis. The actuarially determined contribution shall be appropriated annually by the Village's Board of Trustees.

The total pension liability at the December 31, 2017 measurement date was determined using an actuarial valuation as of that date.

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method: Entry Age Normal

Inflation: 2.25%

Salary Scale: None assumed

Mortality rates were based on the RP-2014 Male Mortality Table without projection for mortality improvements.

The discount rate used to measure the total pension liability was 3.16%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017. In describing this index, S&P Dow Jones Indices notes that the index consists of bonds in the S&P Municipal Bond Index with maturity of 20 years and with a rating of at least Aa2 by Moody's Investors Services, AA by Fitch or AA by Standard & Poor's Rating Services.

The Village's change in the total pension liability of the LOSAP program for the program year ended December 31, 2017 is as follows:

Total Pension Liability - Beginning of Period	\$ 10,120,745
Service cost	237,614
Interest	378,221
Changes of assumptions or other inputs	931,109
Differences between expected and actual experience	16,668
Benefit payments	<u>(327,428)</u>
Total Pension Liability - End of Period	<u><u>\$ 11,356,929</u></u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2018

Note 3 - Detailed Notes on All Funds (Continued)

The following presents the total pension liability of the Village as of the December 31, 2017 measurement date, calculated using the discount rate of 3.16 percent, as well as what the Village's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.16%) or 1-percentage point higher (4.16%) than the current rate:

	1% Decrease (2.16%)	Current Assumption (3.16%)	1% Increase (4.16%)
Total Pension Liability	\$ 13,365,980	\$ 11,356,929	\$ 9,741,109

For the year ended February 28, 2018, the Village recognized pension expense of \$329,264 in the General Fund. At February 28, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 15,255
Changes of assumptions or other inputs	852,201
Benefit payments and administrative expenses subsequent to the measurement date	<u>70,578</u>
	<u>\$ 938,034</u>

\$70,578 reported as deferred outflows of resources related to the LOSAP plan resulting from the Village's contributions subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ended December 31, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LOSAP plan will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	
2018	\$ 80,320
2019	80,320
2020	80,320
2021	80,320
2022	80,320
Thereafter	465,856

Other Post Employment Benefit Obligations

In addition to providing pension benefits, the Village provides certain health care benefits for retired employees through a single employer defined benefit plan. The various collective bargaining

Note 3 - Detailed Notes on All Funds (Continued)

agreements stipulate the employees covered and the percentage of contribution. Contributions by the Village may vary according to length of service. Substantially all of the Village's employees may become eligible for those benefits if they reach normal retirement age while working for the Village. The cost of retiree health care benefits is recognized as expenditure as claims are paid in the fund financial statements.

The Village's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution, ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. GASB Statement No. 45 establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees' medical insurance. As a result, reporting of expenses and liabilities will no longer be done under the "pay-as-you-go" approach. Instead of expensing the current year premiums paid, a per capita claims cost will be determined, which will be used to determine a "normal cost", an "actuarial accrued liability", and ultimately the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The Village is required to accrue on the government-wide financial statements the amounts necessary to finance the Plan as actuarially determined, which is equal to the balance not paid by plan members. Funding for the Plan has been established on a pay-as-you-go basis. The assumed rates of increase in postretirement benefits are as follows:

<u>Year Ended</u> <u>February 28,</u>	<u>Pre- 65</u> <u>Rate</u>
2019	6.50 %
2020	6.00
2021	5.50
2022+	5.00

The amortization basis is the level percentage of payroll method with an open amortization approach with 20 years remaining in the amortization period. The actuarial assumptions included a 4% investment rate of return and a 2.5% annual payroll growth rate. The Village currently has no assets set aside for the purpose of paying postemployment benefits. The actuarial cost method utilized was the entry age normal cost method.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 28, 2018

Note 3 - Detailed Notes on All Funds (Continued)

The number of participants as of February 28, 2018 was as follows:

	Governmental Activities	Business-type Activities		Total
		Water Fund	Electric Fund	
Active Employees	238	17	65	320
Retired Employees	230	11	68	309
	<u>468</u>	<u>28</u>	<u>133</u>	<u>629</u>

	Governmental Funds	Business-type Activities		Total
		Water Funds	Electric Funds	
Amortization Component:				
Actuarial Accrued Liability as of March 1, 2017	\$ 119,649,585	\$ 7,784,430	\$ 30,808,835	\$ 158,242,850
Assets at Market Value	-	-	-	-
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 119,649,585</u>	<u>\$ 7,784,430</u>	<u>\$ 30,808,835</u>	<u>\$ 158,242,850</u>
Covered Payroll (active plan members)	<u>\$ 25,690,364</u>	<u>\$ 1,668,205</u>	<u>\$ 6,005,540</u>	<u>\$ 33,364,109</u>
UAAL as a Percentage of Covered Payroll	<u>465.74%</u>	<u>466.63%</u>	<u>513.01%</u>	<u>474.29%</u>
Annual Required Contribution	\$ 10,902,690	\$ 625,413	\$ 2,638,257	\$ 14,166,360
Interest on OPEB Obligation	2,054,893	126,670	489,901	2,671,464
Adjustment to Annual Required Contribution	(2,716,150)	(167,432)	(647,549)	(3,531,131)
Annual OPEB Cost	10,241,433	584,651	2,480,609	13,306,693
Contributions Made	(3,599,451)	(211,915)	(1,024,594)	(4,835,960)
Increase in Net OPEB Cost	6,641,982	372,736	1,456,015	8,470,733
Net OPEB Obligation - Beginning of Year	51,372,316	3,166,746	12,247,514	66,786,576
Net OPEB Obligation - End of Year	<u>\$ 58,014,298</u>	<u>\$ 3,539,482</u>	<u>\$ 13,703,529</u>	<u>\$ 75,257,309</u>

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current and two preceding years is as follows:

Fiscal Year Ended February 28,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2018	\$ 13,306,693	36.34 %	\$ 75,257,309
2017	12,777,188	35.74	66,786,576
2016	9,449,342	33.86	58,575,323

H. Revenues and Expenditures

Charges in Lieu of Taxes

The proprietary funds of the Village do not pay property taxes on their facilities. Instead, they make payments to the General Fund in lieu of taxes. The amounts charged to the Water and Electric Funds for the year ending February 28, 2018 were \$ 1,344,150 and \$3,747,000, respectively.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2018

Note 3 - Detailed Notes on All Funds (Continued)

Interfund Transfers

Interfund transfers are defined as the flow of assets, such as cash or goods and services, without the equivalent flow of assets in return. The interfund transfers reflected below have been reflected as transfers:

Transfers Out	Transfers In		Total
	General Fund	Capital Projects Fund	
General Fund	\$ -	\$ 1,460,000	\$ 1,460,000
Capital Projects Fund	926,971	-	926,971
Water Fund	360,824	-	360,824
	<u>\$ 1,287,795</u>	<u>\$ 1,460,000</u>	<u>\$ 2,747,795</u>

Transfers are used to 1) move funds earmarked in the operating funds to fulfill commitments for Capital Projects Fund expenditures, 2) move amounts in the Capital Projects Fund to the General Fund as projects with remaining balances are completed and 3) move amounts earmarked in the Water Fund to fulfill commitments of General Fund's expenditures.

I. Net Position

The components of net position are detailed below:

Net Investment in Capital Assets - the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted for Debt Service - the component of net position that reports the difference between assets and liabilities with constraints placed on their use by Local Finance Law.

Unrestricted - all other amounts that do not meet the definition of "restricted" or "net investment in capital assets".

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2018

Note 3 - Detailed Notes on All Funds (Continued)

J. Fund Balances

	2018			2017		
	General Fund	Capital Projects Fund	Total	General Fund	Capital Projects Fund	Total
Nonspendable:						
Long term receivables	\$ -	\$ -	\$ -	\$ 384,986	\$ -	\$ 384,986
Inventories	337,485	-	337,485	313,164	-	313,164
Prepaid expenditures	464,086	-	464,086	439,221	-	439,221
Total Nonspendable	801,571	-	801,571	1,137,371	-	1,137,371
Restricted:						
Debt service	423,235	-	423,235	395,300	-	395,300
Debt service - for subsequent year's expenditures	159,743	-	159,743	205,200	-	205,200
Pension benefits	5,961,144	-	5,961,144	5,325,681	-	5,325,681
Capital projects	-	1,223,919	1,223,919	-	-	-
Total Restricted	6,544,122	1,223,919	7,768,041	5,926,181	-	5,926,181
Assigned -						
Purchases on order - General government support	38,358	-	38,358	86,323	-	86,323
Unassigned	8,053,322	-	8,053,322	7,612,771	(1,908,665)	5,704,106
Total Fund Balances (Deficits)	\$ 15,437,373	\$ 1,223,919	\$ 16,661,292	\$ 14,762,646	\$ (1,908,665)	\$ 12,853,981

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 28, 2018

Note 3 - Detailed Notes on All Funds (Continued)

Certain elements of fund balance are described above. Those additional elements which are not reflected in the Statement of Net Position but are reported in the governmental funds balance sheet are described below.

Inventories in the General Fund have been classified as nonspendable to indicate that a portion of fund balance is not "available" for expenditure because the asset is in the form commodities and the Village anticipates utilizing them in the normal course of operations.

Prepaid Expenditures has been established to account for the retirement expenditures made in advance. This amount is classified as nonspendable to indicate that the funds are not "available" for appropriation or expenditure even though they are a component of current assets.

Restricted for Pension Benefits represents funds set aside to be used for LOSAP pension benefits in accordance with Article 11-A of the General Municipal Law of the State of New York.

Restricted for Capital Projects represents amounts restricted for capital projects, exclusive of unexpended bond proceeds and unrestricted interest earnings.

Purchases on order are assigned and represent the Village's intention to honor the contracts in process at year-end. The subsequent year's appropriations will be amended to provide authority to complete the transactions.

Subsequent year's expenditures are amounts that at February 28, 2018, the Village Board has utilized to be appropriated to the ensuing year's budget.

Unassigned fund balance in the General Fund represents amounts not classified as restricted or assigned.

Note 4 - Summary Disclosure of Significant Contingencies

A. Litigation

The Village is involved in various claims and lawsuits, arising in the normal course of operations. Management believes that any financial responsibility that may be incurred in settlement of such claims and lawsuits would not be material to the Village's financial position.

The Village is also defendant in numerous tax certiorari proceedings, the results of which cannot be determined at this time. Any future refunds resulting from adverse settlements will be funded in the year the payments are made.

B. Risk Management

The Village maintains a self-insurance risk management program for liability and casualty, property damage, workers' compensation and unemployment. The Village uses a third party administrator to manage the claims related to general liability and workers' compensation.

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

The Village is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The Village maintains commercial insurance for property damage up to a maximum of approximately \$64.2 million for the Electric Plant and \$62.2 million for all other municipally owned property, subject to deductibles ranging from \$5,000 to \$100,000 per occurrence. The Village also purchases commercial insurance for general liability claims with coverage up to approximately \$5 million in total with various limits per occurrence, subject to sub-limits up to \$1 million.

The Village also maintains commercial workers' compensation insurance benefits with a \$1 million per occurrence and per employee policy limit, subject to retention of \$1 million to \$1.25 million per occurrence and per claim, up to a maximum of \$50 million.

There have been no significant reductions in insurance coverage as compared to the prior year, and there were no settlements in excess of insurance coverage over the last three years.

The Village estimates its potential claims under its self-insurance risk management program after consulting with outside professionals and legal counsel. The Village has recorded the liability for these claims in its government-wide financial statements. The estimated outstanding workers' compensation and general liability claims outstanding at February 28, 2018 were \$6,367,554 and \$1,397,789, respectively (see Note 3G).

C. Contingencies

The Village participates in various Federal grant programs. These programs may be subject to program compliance audits pursuant to the Uniform Guidance. Accordingly, the Village's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Village anticipates such amounts, if any, to be immaterial.

Note 5 - Tax Abatements

The Village has real property tax abatement agreements with housing development and redevelopment companies organized pursuant to Article V or Article XI of the Private Housing Finance Law of the State of New York ("PHFL") for the purpose of creating or preserving affordable housing in the Village.

Generally, these agreements provide for a 100 percent abatement of real property taxes in exchange for a payment in lieu of taxes ("PILOT") and continue until the property no longer provides the required affordable housing or no longer complies with the requirements of the PHFL.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Concluded)
February 28, 2018

Note 5 - Tax Abatements (Continued)

Copies of the agreements may be obtained from the Village. Information relevant to disclosure of these agreements for the fiscal year ended February 28, 2018 is as follows:

<u>Agreement</u>	<u>Taxable Assessed Value</u>	<u>Tax Rate</u>	<u>Tax Value</u>	<u>PILOT Received</u>	<u>Taxes Abated</u>
Town of Hempstead IDA C/O Whaley Realty II LLC 27 Saint Johns PL	\$ 37,084	\$ 0.62	\$ 23,102	\$ 22,761	\$ 341
Freeport, NY 11520-4606	70,783	0.62	44,095	40,660	3,435
EAS Commercial ST LLC	59,935	0.62	37,337	35,878	1,459
Town of Hempstead IDA C/O North Shore Linen INC	81,912	0.62	51,028	48,803	2,225
Colombia 72 Albany Realty	59,078	0.62	36,803	36,803	-
Freeport Housing Authority	2,321,943	0.62	1,446,478	102,133	1,344,345
Village of Freeport - Water	4,151,680	0.62	2,586,331	1,344,150	1,242,181
Village of Freeport - Electric	6,033,375	0.62	3,758,551	3,747,000	11,551
	<u>\$ 12,815,790</u>		<u>\$ 7,983,725</u>	<u>\$ 5,378,188</u>	<u>\$ 2,605,536</u>

Note 6 - Subsequent Events

The Village, on May 1, 2018, issued a \$7,372,500 bond anticipation note to refinance a currently outstanding note in the amount of \$6,635,000 after \$367,500 in principal payments. The note is due on May 1, 2019 with interest at 2.75%.

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Incorporated Village of Freeport, New York

Required Supplementary Information - Schedule of Funding Progress
Other Post Employment Benefits
Last Three Fiscal Years

Valuation Date	Actuarial		Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
March 1, 2017	\$ -	\$ 158,242,850	\$ 158,242,850	- %	\$ 33,364,109	474.29 %
March 1, 2016	-	151,103,302	151,103,302	-	35,243,284	428.74
March 1, 2015	-	134,667,038	134,667,038	-	33,157,776	406.14

See independent auditors' report.

Incorporated Village of Freeport, New York

Required Supplementary Information - Schedule of the
 Village's Proportionate Share of the Net Pension Liability
 New York State and Local Employees' Retirement System
 Last Ten Fiscal Years (1)

	<u>2018</u>	<u>2017 (2)</u>	<u>2016</u>
Village's proportion of the net pension liability	<u>0.0716054%</u>	<u>0.0721038%</u>	<u>0.0716503%</u>
Village's proportionate share of the net pension liability	<u>\$ 6,728,204</u>	<u>\$ 11,572,857</u>	<u>\$ 2,420,522</u>
Village's covered payroll	<u>\$ 18,327,905</u>	<u>\$ 17,929,046</u>	<u>\$ 17,725,671</u>
Village's proportionate share of the net pension liability as a percentage of its covered payroll	<u>36.71%</u>	<u>64.55%</u>	<u>13.66%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>94.70%</u>	<u>90.70%</u>	<u>97.90%</u>

Note - The amounts presented for each fiscal year were determined as of the March 31st measurement date within the current fiscal year.

(1) Data not available prior to fiscal year 2016 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

(2) The discount rate used to calculate the total pension liability was decreased from 7.5% to 7.0% effective with the March 31, 2016 measurement date.

Incorporated Village of Freeport, New York

Required Supplementary Information - Schedule of Contributions
New York State and Local Employees' Retirement System
Last Ten Fiscal Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 2,800,344	\$ 3,180,439	\$ 3,023,543
Contributions in relation to the contractually required contribution	<u>(2,800,344)</u>	<u>(3,180,439)</u>	<u>(3,023,543)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village's covered payroll	<u>\$ 18,271,244</u>	<u>\$ 18,062,719</u>	<u>\$ 17,926,137</u>
Contributions as a percentage of covered payroll	<u>15.33%</u>	<u>17.61%</u>	<u>16.87%</u>

(1) Data not available prior to fiscal year 2016 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Incorporated Village of Freeport, New York

Required Supplementary Information - Schedule of the
 Village's Proportionate Share of the Net Pension Liability
 New York State and Local Police and Fire Retirement System
 Last Ten Fiscal Years (1)

	<u>2018</u>	<u>2017 (2)</u>	<u>2016</u>
Village's proportion of the net pension liability	<u>0.3824851%</u>	<u>0.3836998%</u>	<u>0.3546445%</u>
Village's proportionate share of the net pension liability	<u>\$ 7,927,584</u>	<u>\$ 11,360,534</u>	<u>\$ 976,193</u>
Village's covered payroll	<u>\$ 16,878,617</u>	<u>\$ 15,775,052</u>	<u>\$ 14,896,653</u>
Village's proportionate share of the net pension liability as a percentage of its covered payroll	<u>46.97%</u>	<u>72.02%</u>	<u>6.55%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>93.50%</u>	<u>90.20%</u>	<u>99.00%</u>

Note - The amounts presented for each fiscal year were determined as of the March 31st measurement date within the current fiscal year.

(1) Data not available prior to fiscal year 2016 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

(2) The discount rate used to calculate the total pension liability was decreased from 7.5% to 7.0% effective with the March 31, 2016 measurement date.

Incorporated Village of Freeport, New York

Required Supplementary Information - Schedule of Contributions
New York State and Local Police and Fire Retirement System
Last Ten Fiscal Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 3,796,357	\$ 3,621,910	\$ 3,840,430
Contributions in relation to the contractually required contribution	<u>(3,796,357)</u>	<u>(3,621,910)</u>	<u>(3,840,430)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village's covered payroll	<u>\$ 16,841,964</u>	<u>\$ 16,552,013</u>	<u>\$ 15,685,066</u>
Contributions as a percentage of covered payroll	<u>22.54%</u>	<u>21.88%</u>	<u>24.48%</u>

(1) Data not available prior to fiscal year 2016 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Village of Freeport, New York

Required Supplementary Information - Schedule of Changes in the Village's Total Pension Liability - Fire Service Awards Program Last Ten Fiscal Years (1)

	* 2017
Total Pension Liability	
Service Cost	\$ 237,614
Interest	378,221
Changes of assumptions or other inputs	931,109
Differences between expected and actual experience	16,668
Benefit payments	<u>(327,428)</u>
Net Change in Total Pension Liability	1,236,184
Total Pension Liability – Beginning of Year	<u>10,120,745</u>
Total Pension Liability – End of Year	<u>\$ 11,356,929</u>
Village's covered payroll	N/A
Total pension liability as a percentage of covered payroll	N/A

*Schedule is intended to show information for 10 years. Additional information will be displayed as it becomes available.

Notes to Schedule:

Changes in assumptions or other inputs. The discount rate used to measure the total pension liability was based on the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index and was as follows:

December 31, 2016: 3.71%

December 31, 2017: 3.16%

(1) No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements Nos. 67 and 68" to pay related benefits.

See independent auditors' report.

Incorporated Village of Freeport, New York

General Fund
 Combining Balance Sheet - Sub-Funds
 February 28, 2018
 (With Comparative Totals for 2017)

	General	Fire Service Awards Program	Totals	
			2018	2017
ASSETS				
Cash and equivalents	\$ 1,950,347	\$ -	\$ 1,950,347	\$ 3,182,007
Investments	5,572,325	5,957,580	11,529,905	11,347,901
Taxes receivable	783,897	-	783,897	633,458
Other receivables				
Accounts, net	910,005	3,564	913,569	1,403,280
State and Federal aid	276,400	-	276,400	212,135
Due from other funds	3,732,744	-	3,732,744	2,174,744
Due from other governments	212,891	-	212,891	256,753
	5,132,040	3,564	5,135,604	4,046,912
Inventories	337,485	-	337,485	313,164
Prepaid expenditures	464,086	-	464,086	439,221
Total Assets	<u>\$ 14,240,180</u>	<u>\$ 5,961,144</u>	<u>\$ 20,201,324</u>	<u>\$ 19,962,663</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 2,209,832	\$ -	\$ 2,209,832	\$ 2,962,338
Accrued liabilities	811,109	-	811,109	428,794
Due to other funds	1,092,396	-	1,092,396	1,179,829
Due to other governments	11,101	-	11,101	9,945
Unearned revenues	45,720	-	45,720	-
Total Liabilities	4,170,158	-	4,170,158	4,580,906
Deferred inflows of resources				
Deferred tax revenues	593,793	-	593,793	619,111
Total Liabilities and Deferred Inflows of Resources	4,763,951	-	4,763,951	5,200,017
Fund balances				
Nonspendable	801,571	-	801,571	1,137,371
Restricted	582,978	5,961,144	6,544,122	5,926,181
Assigned	38,358	-	38,358	86,323
Unassigned	8,053,322	-	8,053,322	7,612,771
Total Fund Balances	9,476,229	5,961,144	15,437,373	14,762,646
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 14,240,180</u>	<u>\$ 5,961,144</u>	<u>\$ 20,201,324</u>	<u>\$ 19,962,663</u>

Incorporated Village of Freeport, New York

General Fund

Combining Schedule of Revenues, Expenditures and

Changes in Fund Balances - Sub-Funds

Year Ended February 28, 2018

(With Comparative Totals for 2017)

	General	Fire Service Awards Program	Eliminations	Totals	
				2018	2017
REVENUES					
Real property taxes	\$ 42,004,464	\$ -	\$ -	\$ 42,004,464	\$ 42,168,440
Other tax items	5,706,695	-	-	5,706,695	6,677,533
Non-property taxes	1,052,887	-	-	1,052,887	1,384,789
Departmental income	7,372,236	381,875	(381,875)	7,372,236	7,415,846
Intergovernmental revenues	6,500	-	-	6,500	10,292
Interfund revenues	1,102,176	-	-	1,102,176	1,088,000
Use of money and property	1,413,561	147,135	-	1,560,696	1,507,491
Net change in fair value of investments	-	435,717	-	435,717	136,454
Licenses and permits	2,350,929	-	-	2,350,929	1,913,906
Fines and forfeitures	3,054,113	-	-	3,054,113	2,930,601
Sale of property and compensation for loss	26,911	-	-	26,911	33,146
State aid	1,938,330	-	-	1,938,330	1,551,030
Federal aid	214,190	-	-	214,190	109,111
Miscellaneous	30,527	-	-	30,527	21,574
Total Revenues	66,273,519	964,727	(381,875)	66,856,371	66,948,213
EXPENDITURES					
Current					
General government support	10,660,969	-	-	10,660,969	12,236,117
Public safety	21,776,380	-	-	21,776,380	21,281,484
Health	2,258	-	-	2,258	2,282
Transportation	2,344,993	-	-	2,344,993	2,153,986
Economic opportunity and development	154,178	-	-	154,178	133,535
Culture and recreation	3,346,326	-	-	3,346,326	3,300,188
Home and community services	3,539,226	-	-	3,539,226	3,401,373
Employee benefits	19,560,269	329,264	(381,875)	19,507,658	18,901,617
Debt service					
Principal	11,851,838	-	-	11,851,838	6,174,360
Interest	1,314,393	-	-	1,314,393	1,275,474
Refunding bond issuance costs	-	-	-	-	133,282
Total Expenditures	74,550,830	329,264	(381,875)	74,498,219	68,993,698
Excess (Deficiency) of Revenues Over Expenditures	(8,277,311)	635,463	-	(7,641,848)	(2,045,485)
OTHER FINANCING SOURCES (USES)					
Insurance recoveries	548,780	-	-	548,780	538,736
Sale of real property	365,000	-	-	365,000	164,000
Bond anticipation notes issued	1,680,000	-	-	1,680,000	1,225,000
Bonds issued	5,895,000	-	-	5,895,000	-
Refunding bonds issued	-	-	-	-	9,750,182
Issuance premium	-	-	-	-	1,433,684
Payment to refunded bond escrow agent	-	-	-	-	(11,050,584)
Transfers in	1,287,795	-	-	1,287,795	2,076,858
Transfers out	(1,460,000)	-	-	(1,460,000)	(2,314,000)
Total Other Financing Sources	8,316,575	-	-	8,316,575	1,823,876
Net Change in Fund Balances	39,264	635,463	-	674,727	(221,609)
FUND BALANCES					
Beginning of Year, as reported	9,436,965	5,325,681	-	14,762,646	10,010,279
Cumulative Effect of Change in Accounting Principle	-	-	-	-	4,973,976
Beginning of Year, as restated	9,436,965	5,325,681	-	14,762,646	14,984,255
End of Year	\$ 9,476,229	\$ 5,961,144	\$ -	\$ 15,437,373	\$ 14,762,646

Incorporated Village of Freeport, New York

General Fund
 Comparative Balance Sheet - Sub-Fund
 February 28,

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and equivalents	\$ 1,950,347	\$ 3,182,007
Investments	5,572,325	6,044,829
Taxes receivable	783,897	633,458
Other receivables		
Accounts	910,005	1,380,671
State and Federal aid	276,400	212,135
Due from other funds	3,732,744	2,174,744
Due from other governments	212,891	256,753
	<u>5,132,040</u>	<u>4,024,303</u>
Inventories	337,485	313,164
Prepaid expenditures	464,086	439,221
Total Assets	<u>\$ 14,240,180</u>	<u>\$ 14,636,982</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 2,209,832	\$ 2,962,338
Accrued liabilities	811,109	428,794
Due to other funds	1,092,396	1,179,829
Due to other governments	11,101	9,945
Unearned revenues	45,720	-
Total Liabilities	4,170,158	4,580,906
Deferred inflows of resources		
Deferred tax revenues	593,793	619,111
Total Liabilities and Deferred Inflows of Resources	<u>4,763,951</u>	<u>5,200,017</u>
Fund balance		
Nonspendable	801,571	1,137,371
Restricted	582,978	600,500
Assigned	38,358	86,323
Unassigned	8,053,322	7,612,771
Total Fund Balance	<u>9,476,229</u>	<u>9,436,965</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 14,240,180</u>	<u>\$ 14,636,982</u>

See independent auditors' report.

Incorporated Village of Freeport, New York

General Fund
 Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual - Sub-Fund
 Years Ended February 28,

	2018			Variance with Final Budget Positive (Negative)
	Original Budget (1)	Final Budget	Actual	
REVENUES				
Real property taxes	\$ 41,934,831	\$ 41,934,831	\$ 42,004,464	\$ 69,633
Other tax items	7,313,212	7,313,212	5,706,695	(1,606,517)
Non-property taxes	1,079,000	1,079,000	1,052,887	(26,113)
Departmental income	7,309,090	7,321,590	7,372,236	50,646
Intergovernmental revenues	6,500	6,500	6,500	-
Interfund revenues	1,463,000	1,463,000	1,102,176	(360,824)
Use of money and property	1,280,852	1,280,852	1,413,561	132,709
Licenses and permits	2,012,250	2,012,250	2,350,929	338,679
Fines and forfeitures	3,870,000	3,870,000	3,054,113	(815,887)
Sale of property and compensation for loss	34,400	34,400	26,911	(7,489)
State aid	1,363,311	1,363,311	1,938,330	575,019
Federal aid	21,000	38,350	214,190	175,840
Miscellaneous	175,200	175,200	30,527	(144,673)
Total Revenues	67,862,646	67,892,496	66,273,519	(1,618,977)
EXPENDITURES				
Current				
General government support	11,723,757	12,156,457	10,660,969	1,495,488
Public safety	22,601,927	22,564,677	21,776,380	788,297
Health	3,350	3,350	2,258	1,092
Transportation	2,471,108	2,461,608	2,344,993	116,615
Economic opportunity and development	236,171	250,071	154,178	95,893
Culture and recreation	3,407,326	3,483,126	3,346,326	136,800
Home and community services	4,004,518	4,005,218	3,539,226	465,992
Employee benefits	18,947,208	19,730,708	19,560,269	170,439
Debt service				
Principal	6,749,686	11,999,686	11,851,838	147,848
Interest	1,360,181	1,360,181	1,314,393	45,788
Refunding bond issuance costs	-	-	-	-
Total Expenditures	71,505,232	78,015,082	74,550,830	3,464,252
Deficiency of Revenues Over Expenditures	(3,642,586)	(10,122,586)	(8,277,311)	1,845,275
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	200,000	450,000	548,780	98,780
Sale of real property	1,800,000	1,800,000	365,000	(1,435,000)
Bond anticipation notes issued	1,250,000	2,230,000	1,680,000	(550,000)
Bonds issued	-	5,895,000	5,895,000	-
Refunding bonds issued	-	-	-	-
Issuance premium	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers in	101,063	916,063	1,287,795	371,732
Transfers out	-	(1,460,000)	(1,460,000)	-
Total Other Financing Sources	3,351,063	9,831,063	8,316,575	(1,514,488)
Net Change in Fund Balance	(291,523)	(291,523)	39,264	330,787
FUND BALANCE				
Beginning of Year	291,523	291,523	9,436,965	9,145,442
End of Year	\$ -	\$ -	\$ 9,476,229	\$ 9,476,229

(1) Includes prior year encumbrances of \$86,323

(2) Includes prior year encumbrances of \$19,336

See independent auditors' report.

2017

Original Budget (2)	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 42,220,394	\$ 42,220,394	\$ 42,168,440	\$ (51,954)
6,979,989	6,979,989	6,677,533	(302,456)
1,039,000	1,039,000	1,384,789	345,789
7,345,200	7,345,200	7,415,846	70,646
6,500	6,500	10,292	3,792
1,123,000	1,123,000	1,088,000	(35,000)
1,257,152	1,257,152	1,373,737	116,585
1,592,138	1,592,138	1,913,906	321,768
3,786,384	3,786,384	2,930,601	(855,783)
19,400	19,400	33,146	13,746
1,435,811	1,480,811	1,551,030	70,219
50,000	75,120	109,111	33,991
131,200	131,200	21,574	(109,626)
<u>66,986,168</u>	<u>67,056,288</u>	<u>66,678,005</u>	<u>(378,283)</u>
11,827,256	12,643,405	12,236,117	407,288
22,047,163	21,520,586	21,281,484	239,102
3,350	3,350	2,282	1,068
2,436,281	2,218,781	2,153,986	64,795
159,918	160,618	133,535	27,083
3,463,261	3,355,860	3,300,188	55,672
3,900,675	3,901,675	3,401,373	500,302
17,375,051	18,990,445	18,983,114	7,331
6,903,974	6,200,974	6,174,360	26,614
1,453,575	1,453,575	1,275,474	178,101
-	133,282	133,282	-
<u>69,570,504</u>	<u>70,582,551</u>	<u>69,075,195</u>	<u>1,507,356</u>
<u>(2,584,336)</u>	<u>(3,526,263)</u>	<u>(2,397,190)</u>	<u>1,129,073</u>
800,000	800,000	538,736	(261,264)
150,000	150,000	164,000	14,000
1,150,000	1,225,000	1,225,000	-
-	-	-	-
-	9,750,182	9,750,182	-
-	1,433,684	1,433,684	-
-	(11,050,584)	(11,050,584)	-
465,000	2,076,000	2,076,858	858
-	(2,314,000)	(2,314,000)	-
<u>2,565,000</u>	<u>2,070,282</u>	<u>1,823,876</u>	<u>(246,406)</u>
(19,336)	(1,455,981)	(573,314)	882,667
<u>19,336</u>	<u>1,455,981</u>	<u>10,010,279</u>	<u>8,554,298</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,436,965</u>	<u>\$ 9,436,965</u>

Incorporated Village of Freeport, New York

General Fund
 Schedule of Revenues and Other Financing Sources Compared to Budget - Sub-Fund
 Year Ended February 28, 2018
 (With Comparative Actuals for 2017)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2017 Actual
REAL PROPERTY TAXES	\$ 41,934,831	\$ 41,934,831	\$ 42,004,464	\$ 69,633	\$ 42,168,440
OTHER TAX ITEMS					
Interest and penalties on real property taxes	350,000	350,000	328,507	(21,493)	331,162
Payments in lieu of taxes	6,963,212	6,963,212	5,378,188	(1,585,024)	6,346,371
	<u>7,313,212</u>	<u>7,313,212</u>	<u>5,706,695</u>	<u>(1,606,517)</u>	<u>6,677,533</u>
NON-PROPERTY TAXES					
Non-property tax distribution from County	119,000	119,000	-	(119,000)	119,088
Utilities gross receipts tax	960,000	960,000	1,052,887	92,887	1,265,701
	<u>1,079,000</u>	<u>1,079,000</u>	<u>1,052,887</u>	<u>(26,113)</u>	<u>1,384,789</u>
DEPARTMENTAL INCOME					
Treasurer fees	4,000	4,000	7,956	3,956	9,956
Clerks fees	2,000	2,000	1,522	(478)	1,049
Attorney fees	50,000	50,000	39,409	(10,591)	34,721
Fire Department fees	34,000	34,000	29,516	(4,484)	33,534
Safety inspection fees	5,500	5,500	10,332	4,832	12,340
Public Works fees	80,000	80,000	107,945	27,945	86,485
Parking fees	244,000	244,000	271,341	27,341	326,797
Parking meter fees - non taxable	130,000	130,000	142,740	12,740	139,080
Other economic assistance and opportunity	-	-	-	-	9,000
Parks and recreation fees	2,207,400	2,219,900	2,171,229	(48,671)	2,181,621
Zoning and Appeals Board fees	10,000	10,000	42,807	32,807	21,105
Planning Board fees	20,000	20,000	23,375	3,375	21,226
Garbage fees	4,490,190	4,490,190	4,487,188	(3,002)	4,479,718
Sewer rent	27,000	27,000	34,683	7,683	56,854
Board of Architectural Review fees	5,000	5,000	2,193	(2,807)	2,360
	<u>7,309,090</u>	<u>7,321,590</u>	<u>7,372,236</u>	<u>50,646</u>	<u>7,415,846</u>
INTERGOVERNMENTAL REVENUES					
Fire protection	6,500	6,500	6,500	-	10,292

INTERFUND REVENUES	<u>1,463,000</u>	<u>1,463,000</u>	<u>1,102,176</u>	<u>(360,824)</u>	<u>1,088,000</u>
USE OF MONEY AND PROPERTY					
Interest earnings	80,000	80,000	158,681	78,681	141,870
Rental income	<u>1,200,852</u>	<u>1,200,852</u>	<u>1,254,880</u>	<u>54,028</u>	<u>1,231,867</u>
	<u>1,280,852</u>	<u>1,280,852</u>	<u>1,413,561</u>	<u>132,709</u>	<u>1,373,737</u>
LICENSES AND PERMITS					
Occupational licenses	150,000	150,000	165,340	15,340	167,780
Building permits	925,000	925,000	1,088,532	163,532	803,322
Other permits	867,250	867,250	998,317	131,067	942,804
Parking permits	<u>70,000</u>	<u>70,000</u>	<u>98,740</u>	<u>28,740</u>	<u>-</u>
	<u>2,012,250</u>	<u>2,012,250</u>	<u>2,350,929</u>	<u>338,679</u>	<u>1,913,906</u>
FINES AND FORFEITURES					
Justice court fines	<u>3,870,000</u>	<u>3,870,000</u>	<u>3,054,113</u>	<u>(815,887)</u>	<u>2,930,601</u>
SALE OF PROPERTY AND COMPENSATION FOR LOSS					
Minor sales	<u>34,400</u>	<u>34,400</u>	<u>26,911</u>	<u>(7,489)</u>	<u>33,146</u>
STATE AID					
Per capita	901,311	901,311	901,311	-	901,311
Mortgage tax	400,000	400,000	537,645	137,645	505,838
Public safety	-	-	425,854	425,854	94,733
Youth programs	17,000	17,000	-	(17,000)	-
Other	<u>45,000</u>	<u>45,000</u>	<u>73,520</u>	<u>28,520</u>	<u>49,148</u>
	<u>1,363,311</u>	<u>1,363,311</u>	<u>1,938,330</u>	<u>575,019</u>	<u>1,551,030</u>
FEDERAL AID					
Emergency Management Agency	-	-	126,779	126,779	19,153
Community Development Block Grant	21,000	38,350	33,845	(4,505)	62,600
Other	-	-	53,566	53,566	27,358
	<u>21,000</u>	<u>38,350</u>	<u>214,190</u>	<u>175,840</u>	<u>109,111</u>
MISCELLANEOUS					
Refunds of prior year's expenditures	75,000	75,000	19,848	(55,152)	-
Other	<u>100,200</u>	<u>100,200</u>	<u>10,679</u>	<u>(89,521)</u>	<u>21,574</u>
	<u>175,200</u>	<u>175,200</u>	<u>30,527</u>	<u>(144,673)</u>	<u>21,574</u>
TOTAL REVENUES	<u>67,862,646</u>	<u>67,892,496</u>	<u>66,273,519</u>	<u>(1,618,977)</u>	<u>66,678,005</u>

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Incorporated Village of Freeport, New York

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget - Sub-Fund (Continued)

Year Ended February 28, 2018

(With Comparative Actuals for 2017)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2017 Actual
OTHER FINANCING SOURCES					
Insurance recoveries	\$ 200,000	\$ 450,000	\$ 548,780	\$ 98,780	\$ 538,736
Sale of real property	1,800,000	1,800,000	365,000	(1,435,000)	164,000
Bond anticipation notes issued	1,250,000	2,230,000	1,680,000	(550,000)	1,225,000
Bonds issued	-	5,895,000	5,895,000	-	-
Refunding bonds issued	-	-	-	-	9,750,182
Issuance premium	-	-	-	-	1,433,684
Transfers in					
Water Fund	-	-	360,824	360,824	-
Capital Projects Fund	101,063	916,063	926,971	10,908	2,076,858
TOTAL OTHER FINANCING SOURCES	<u>3,351,063</u>	<u>11,291,063</u>	<u>9,776,575</u>	<u>(1,514,488)</u>	<u>15,188,460</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 71,213,709</u>	<u>\$ 79,183,559</u>	<u>\$ 76,050,094</u>	<u>\$ (3,133,465)</u>	<u>\$ 81,866,465</u>

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See independent auditors' report.

Incorporated Village of Freeport, New York

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget - Sub-Fund

Year Ended February 28, 2018

(With Comparative Actuals for 2017)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2017 Actual
GENERAL GOVERNMENT SUPPORT					
Village Board	\$ 93,148	\$ 93,148	\$ 81,650	\$ 11,498	\$ 85,237
Village Justices	651,122	660,622	639,900	20,722	605,701
Mayor	326,591	241,591	223,239	18,352	218,565
Comptroller	300,823	300,822	298,159	2,663	261,340
Audit	152,738	152,938	142,844	10,094	141,016
Treasurer	375,033	412,033	378,216	33,817	344,189
Purchasing	385,959	386,459	297,311	89,148	286,847
Assessor	257,020	257,020	218,232	38,788	230,739
Village Clerk	431,155	431,155	396,402	34,753	405,392
Attorney	809,614	813,014	726,781	86,233	679,212
Human resources	506,057	506,057	460,868	45,189	480,265
Elections	94,100	94,100	53,494	40,606	36,079
Public works	1,143,252	1,157,253	1,114,357	42,896	1,075,308
Public works administration	512,013	512,013	441,950	70,063	411,815
Buildings department	378,775	378,775	366,599	12,176	373,529
Central garage	924,670	967,670	966,851	819	979,270
Central data processing	841,687	841,687	665,426	176,261	758,234
Unallocated insurance	460,000	460,000	416,921	43,079	440,750
Human services	10,000	10,000	7,111	2,889	7,111
Judgments and claims	1,250,000	2,227,000	1,684,740	542,260	2,274,196
Property loss	700,000	985,000	982,882	2,118	609,072
Acquisition of land and buildings - component unit	-	-	-	-	1,436,645
Taxes and assessment on property	95,000	97,100	97,036	64	95,605
Contingency	1,025,000	171,000	-	171,000	-
	<u>11,723,757</u>	<u>12,156,457</u>	<u>10,660,969</u>	<u>1,495,488</u>	<u>12,236,117</u>

PUBLIC SAFETY

Police	19,833,020	19,807,020	19,249,212	557,808	18,621,101
Traffic control	71,654	72,354	71,215	1,139	68,843
On-Street parking	92,742	97,042	96,102	940	83,605
Fire	1,223,784	1,189,784	1,094,187	95,597	1,149,931
Control of animals	200	200	-	200	-
Safety inspection	1,258,558	1,275,908	1,158,163	117,745	1,204,802
Other	121,969	122,369	107,501	14,868	153,202
	<u>22,601,927</u>	<u>22,564,677</u>	<u>21,776,380</u>	<u>788,297</u>	<u>21,281,484</u>

HEALTH

Nursing services	<u>3,350</u>	<u>3,350</u>	<u>2,258</u>	<u>1,092</u>	<u>2,282</u>
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TRANSPORTATION

Administration	2,800	3,300	3,261	39	3,562
Maintenance of streets	807,198	767,198	695,725	71,473	590,141
Snow removal	175,300	179,300	149,684	29,616	92,673
Street lighting	1,440,310	1,466,310	1,465,848	462	1,427,610
Facilities maintenance	45,500	45,500	30,475	15,025	40,000
	<u>2,471,108</u>	<u>2,461,608</u>	<u>2,344,993</u>	<u>116,615</u>	<u>2,153,986</u>

ECONOMIC OPPORTUNITY AND DEVELOPMENT

Publicity	183,290	197,190	125,134	72,056	125,536
Materials and supplies	52,881	52,881	29,044	23,837	7,999
	<u>236,171</u>	<u>250,071</u>	<u>154,178</u>	<u>95,893</u>	<u>133,535</u>

CULTURE AND RECREATION

Community center	2,911,455	2,987,155	2,901,903	85,252	2,836,561
Arts Council	20,000	20,000	20,000	-	20,000
Library	49,000	49,000	29,817	19,183	20,188
Recreation	1,400	1,500	1,405	95	1,405
Tennis	3,000	3,000	2,839	161	-
Playgrounds	422,471	422,471	390,362	32,109	422,034
	<u>3,407,326</u>	<u>3,483,126</u>	<u>3,346,326</u>	<u>136,800</u>	<u>3,300,188</u>

(Continued)

Incorporated Village of Freeport, New York

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget - Sub-Fund (Continued)

Year Ended February 28, 2018

(With Comparative Actuals for 2017)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2017 Actual
HOME AND COMMUNITY SERVICES					
Zoning	\$ 9,700	\$ 9,800	\$ 8,313	\$ 1,487	\$ 8,878
Planning	18,000	18,000	14,129	3,871	14,550
Sewer administration	1,650	2,150	2,136	14	9,403
Sanitary sewers	281,719	281,719	241,410	40,309	246,248
Refuse and garbage	3,559,461	3,559,461	3,168,027	391,434	3,013,857
Drainage	102,688	102,688	73,886	28,802	77,094
Composting	6,300	6,400	6,325	75	6,343
Other	25,000	25,000	25,000	-	25,000
	<u>4,004,518</u>	<u>4,005,218</u>	<u>3,539,226</u>	<u>465,992</u>	<u>3,401,373</u>
EMPLOYEE BENEFITS					
State retirement	6,142,423	6,168,423	6,168,241	182	5,932,766
Social security	1,813,450	1,908,950	1,908,717	233	1,845,592
Workers' compensation benefits	900,000	1,390,000	1,356,434	33,566	1,444,251
Unemployment benefits	10,000	18,000	17,143	857	10,199
Hospital and medical insurance	9,441,000	9,571,000	9,570,419	581	9,039,041
Union welfare benefits	75,000	75,000	-	75,000	158,842
Length of service award contributions	358,991	392,991	381,875	11,116	360,385
Other	206,344	206,344	157,440	48,904	192,038
	<u>18,947,208</u>	<u>19,730,708</u>	<u>19,560,269</u>	<u>170,439</u>	<u>18,983,114</u>
DEBT SERVICE					
Principal					
Serial bonds	5,544,686	5,557,186	5,556,838	348	5,874,360
Bond anticipation notes	1,205,000	6,442,500	6,295,000	147,500	300,000
Interest					
Serial bonds	1,083,698	1,086,698	1,086,563	135	1,218,826
Bond anticipation notes	276,483	273,483	227,830	45,653	56,648
Refunding bond issuance costs	-	-	-	-	133,282
	<u>8,109,867</u>	<u>13,359,867</u>	<u>13,166,231</u>	<u>193,636</u>	<u>7,583,116</u>
TOTAL EXPENDITURES	<u>71,505,232</u>	<u>78,015,082</u>	<u>74,550,830</u>	<u>3,464,252</u>	<u>69,075,195</u>

OTHER FINANCING USES

Payment to refunded bond escrow agent	-	-	-	-	11,050,584
Transfers out					
Capital Projects Fund	-	1,460,000	1,460,000	-	2,314,000
TOTAL OTHER FINANCING USES	-	1,460,000	1,460,000	-	13,364,584
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 71,505,232</u>	<u>\$ 79,475,082</u>	<u>\$ 76,010,830</u>	<u>\$ 3,464,252</u>	<u>\$ 82,439,779</u>

Incorporated Village of Freeport, New York

Capital Projects Fund
Comparative Balance Sheet
February 28,

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and equivalents	\$ 295,046	\$ 756,897
Investments	5,053,092	4,857,573
Receivables		
Accounts	-	105,749
State and Federal aid	271,875	36,537
Due from other funds	839,270	839,270
	<u>1,111,145</u>	<u>981,556</u>
Total Assets	<u>\$ 6,459,283</u>	<u>\$ 6,596,026</u>
LIABILITIES AND FUND BALANCE (DEFICIT)		
Liabilities		
Accounts payable	\$ 909,531	\$ 79,017
Due to other funds	470,833	501,674
Bond anticipation notes payable	3,855,000	7,924,000
Total Liabilities	<u>5,235,364</u>	<u>8,504,691</u>
Fund balance (deficit)		
Restricted	1,223,919	-
Unassigned	-	(1,908,665)
Total Fund Balance (Deficit)	<u>1,223,919</u>	<u>(1,908,665)</u>
Total Liabilities and Fund Balance (Deficit)	<u>\$ 6,459,283</u>	<u>\$ 6,596,026</u>

See independent auditors' report.

Incorporated Village of Freeport, New York

Capital Projects Fund

Comparative Statement of Revenues, Expenditures and Changes in Fund Balance

Years Ended February 28,

	<u>2018</u>	<u>2017</u>
REVENUES		
State aid	\$ 253,535	\$ 42,787
Federal aid	59,900	375,294
Miscellaneous	-	257,313
	<u>313,435</u>	<u>675,394</u>
EXPENDITURES		
Capital outlay	<u>2,102,880</u>	<u>1,396,433</u>
Deficiency of Revenues Over Expenditures	<u>(1,789,445)</u>	<u>(721,039)</u>
OTHER FINANCING SOURCES (USES)		
Bonds issued	4,389,000	-
Transfers in	1,460,000	2,314,000
Transfers out	<u>(926,971)</u>	<u>(2,076,858)</u>
Total Other Financing Sources	<u>4,922,029</u>	<u>237,142</u>
Net Change in Fund Balance	3,132,584	(483,897)
FUND BALANCE (DEFICIT)		
Beginning of Year	<u>(1,908,665)</u>	<u>(1,424,768)</u>
End of Year	<u>\$ 1,223,919</u>	<u>\$ (1,908,665)</u>

See independent auditors' report.

Incorporated Village of Freeport, New York

Enterprise Fund - Water Fund
 Comparative Statement of Net Position
 February 28,

	2018	2017
ASSETS		
Current assets		
Cash and equivalents	\$ 93,337	\$ 290,954
Investments	1,715,485	674,488
Accounts receivable	2,897,336	2,977,930
Due from other funds	499,328	504,683
Inventories	61,258	84,139
Prepaid expenses	19,503	20,585
Total Current Assets	<u>5,286,247</u>	<u>4,552,779</u>
Non-current assets		
Costs to be recovered from future revenues	3,539,482	3,166,746
Non depreciable capital assets	85,981	85,981
Depreciable capital assets, net of accumulated depreciation	<u>16,714,294</u>	<u>16,662,820</u>
Total Non-Current Assets	<u>20,339,757</u>	<u>19,915,547</u>
Total Assets	<u>25,626,004</u>	<u>24,468,326</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts on refunding bonds	133,292	157,313
Deferred amounts on net pension liabilities	<u>548,730</u>	<u>1,090,958</u>
Total Deferred Outflows of Resources	<u>682,022</u>	<u>1,248,271</u>
LIABILITIES		
Current liabilities		
Accounts payable	830,306	269,733
Accrued interest payable	64,760	64,036
Accrued liabilities	26,309	17,669
Due to other funds	218,170	234,955
Bond anticipation notes payable	<u>1,100,000</u>	<u>181,500</u>
Total Current Liabilities	<u>2,239,545</u>	<u>767,893</u>
Non-current liabilities		
Due within one year	1,272,383	1,247,847
Due in more than one year	<u>10,969,258</u>	<u>12,110,681</u>
Total Non-Current Liabilities	<u>12,241,641</u>	<u>13,358,528</u>
Total Liabilities	<u>14,481,186</u>	<u>14,126,421</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts on net pension liabilities	<u>108,896</u>	<u>144,349</u>
NET POSITION		
Net investment in capital assets	8,315,577	8,177,801
Unrestricted	<u>3,402,367</u>	<u>3,268,026</u>
Total Net Position	<u>\$ 11,717,944</u>	<u>\$ 11,445,827</u>

See independent auditors' report.

Incorporated Village of Freeport, New York

Enterprise Fund - Water Fund
Comparative Statement of Revenues, Expenses and
Changes in Net Position
Years Ended February 28,

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Charges for services	\$ 6,669,601	\$ 6,876,355
Interest and penalties	456,607	457,074
Total Operating Revenues	<u>7,126,208</u>	<u>7,333,429</u>
OPERATING EXPENSES		
Power and pumping	2,099,439	2,028,904
Transmission and distribution services	248,937	234,372
Administrative and general	2,206,750	2,262,169
Depreciation	757,624	753,156
Charges in lieu of taxes	1,344,150	1,344,150
Total Operating Expenses	<u>6,656,900</u>	<u>6,622,751</u>
Income from Operations	<u>469,308</u>	<u>710,678</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	18,168	2,832
Interest expense	(227,271)	(249,185)
Costs to be recovered from future revenues	372,736	372,796
Total Non-Operating Revenues	<u>163,633</u>	<u>126,443</u>
Income Before Transfers	632,941	837,121
Transfers Out	<u>(360,824)</u>	<u>-</u>
Change in Net Position	272,117	837,121
NET POSITION		
Beginning of Year	<u>11,445,827</u>	<u>10,608,706</u>
End of Year	<u>\$ 11,717,944</u>	<u>\$ 11,445,827</u>

See independent auditors' report.

Incorporated Village of Freeport, New York

Enterprise Fund - Water Fund
 Comparative Statement of Cash Flows
 Years Ended February 28,

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from charges for services	\$ 7,206,802	\$ 7,276,984
Cash payments for goods, services and compensation	(3,537,884)	(3,978,106)
Cash payments for interfund services used	(1,360,935)	(1,326,221)
Net Cash From Operating Activities	<u>2,307,983</u>	<u>1,972,657</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on bonds	(1,174,185)	(1,138,675)
Bonds issued	171,500	-
Principal paid on bond anticipation notes	(181,500)	(10,000)
Bond anticipation notes issued	1,100,000	65,000
Interest paid on indebtedness	(228,664)	(246,339)
Acquisition and construction of capital assets	(809,098)	(65,514)
Transfers out	(360,824)	-
Net Cash From Capital and Related Financing Activities	<u>(1,482,771)</u>	<u>(1,395,528)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,040,997)	(516,791)
Interest income	18,168	2,832
Net Cash From Investing Activities	<u>(1,022,829)</u>	<u>(513,959)</u>
Net Change in Cash and Equivalents	(197,617)	63,170
CASH AND EQUIVALENTS		
Beginning of Year	290,954	227,784
End of Year	<u>\$ 93,337</u>	<u>\$ 290,954</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Income from operations	\$ 469,308	\$ 710,678
Adjustments to reconcile income from operations to net cash from operating activities		
Depreciation	757,624	753,156
Changes in operating assets and liabilities		
Accounts receivable	80,594	(56,445)
Due from other funds	5,355	17,923
Inventories	22,881	30,503
Prepaid expenses	1,082	(1,857)
Accounts payable	560,573	47,227
Accrued liabilities	8,640	457
Due to other funds	(16,785)	17,929
Pension obligations	(40,604)	(39,238)
Compensated absences	804	(5,404)
Net pension liabilities, net of deferred amounts	85,775	124,932
Other post employment benefit obligations payable	372,736	372,796
Net Cash from Operating Activities	<u>\$ 2,307,983</u>	<u>\$ 1,972,657</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Refunding bonds issued	\$ -	\$ 629,808
Issuance premium	-	92,606
Payment to refunded bond escrow agent	-	(713,805)
Refunding bond issuance costs	-	(8,609)

See independent auditors' report.

Incorporated Village of Freeport, New York

Enterprise Fund - Electric Fund
Comparative Statement of Net Position
February 28,

	2018	2017
ASSETS		
Current assets		
Cash and equivalents	\$ 1,834,060	\$ 3,064,163
Investments	4,172,528	5,737,421
Accounts receivable	5,393,498	4,465,313
Due from other funds	373,235	466,513
Inventories	2,288,486	2,646,446
Prepaid expenses	106,254	114,304
Total Current Assets	14,168,061	16,494,160
Non-current assets		
Costs to be recovered from future revenues	13,703,529	12,247,514
Regulatory deposit	329,923	40,020
Non depreciable capital assets	753,811	881,969
Depreciable capital assets, net of accumulated depreciation	59,590,017	61,546,305
Total Non-Current Assets	74,377,280	74,715,808
Total Assets	88,545,341	91,209,968
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts on refunding bonds	1,793,986	1,942,510
Deferred amounts on net pension liabilities	2,379,937	4,731,667
Total Deferred Outflows of Resources	4,173,923	6,674,177
LIABILITIES		
Current liabilities		
Accounts payable	1,365,839	1,417,316
Accrued interest payable	290,659	311,582
Due to other funds	3,663,178	2,068,752
Due to other governments	-	132,867
Customer deposits	1,407,880	1,385,369
Regulatory liabilities	5,041,734	6,726,890
Bond anticipation notes payable	-	1,115,000
Unearned revenues	229,241	229,241
Total Current Liabilities	11,998,531	13,387,017
Non-current liabilities		
Due within one year	4,334,028	4,090,001
Due in more than one year	64,677,019	68,138,241
Total Non-Current Liabilities	69,011,047	72,228,242
Total Liabilities	81,009,578	85,615,259
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts on net pension liabilities	472,298	626,065
NET POSITION		
Net investment in capital assets	13,433,297	12,277,021
Unrestricted	(2,195,909)	(634,200)
Total Net Position	\$ 11,237,388	\$ 11,642,821

See independent auditors' report.

Incorporated Village of Freeport, New York**Enterprise Fund - Electric Fund
Comparative Statement of Revenues, Expenses and
Changes in Net Position
Years Ended February 28,**

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Charges for services	\$ 32,626,054	\$ 31,394,307
Miscellaneous	274,545	305,300
Total Operating Revenues	<u>32,900,599</u>	<u>31,699,607</u>
OPERATING EXPENSES		
Power generation	14,153,580	12,129,588
Transmission and distribution services	1,520,547	1,456,990
Street lighting and signal system	189,064	171,788
Customer counting and collection	890,280	871,280
Administrative and general	9,388,132	9,379,563
Depreciation	2,964,085	3,019,378
Charges in lieu of taxes	3,747,000	3,747,000
Miscellaneous	82,576	251,492
Total Operating Expenses	<u>32,935,264</u>	<u>31,027,079</u>
Income (Loss) from Operations	<u>(34,665)</u>	<u>672,528</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	43,152	38,350
Interest expense	(1,869,935)	(2,011,982)
Costs to be recovered from future revenues	1,456,015	1,410,910
Total Non-Operating Expenses	<u>(370,768)</u>	<u>(562,722)</u>
Change in Net Position	<u>(405,433)</u>	<u>109,806</u>
NET POSITION		
Beginning of Year	<u>11,642,821</u>	<u>11,533,015</u>
End Year	<u>\$ 11,237,388</u>	<u>\$ 11,642,821</u>

See independent auditors' report.

Incorporated Village of Freeport, New York

Enterprise Fund - Electric Fund
 Comparative Statement of Cash Flows
 Year Ended February 28,

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from charges for services	\$ 29,507,416	\$ 28,739,406
Cash received from interfund services provided	2,580,787	2,509,487
Cash payments for goods, services and compensation	(26,302,855)	(22,235,391)
Cash payments for interfund services used	<u>(2,152,574)</u>	<u>(2,895,548)</u>
Net Cash From Operating Activities	<u>3,632,774</u>	<u>6,117,954</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on bonds	(3,628,977)	(3,451,965)
Bonds issued	1,075,000	-
Principal paid on bond anticipation notes	(1,115,000)	-
Bond anticipation notes issued	-	650,000
Interest paid on indebtedness	(1,922,306)	(2,032,824)
Acquisition and construction of capital assets	(1,020,177)	(1,037,928)
Loss on disposal of capital assets	<u>140,538</u>	<u>-</u>
Net Cash From Capital and Related Financing Activities	<u>(6,470,922)</u>	<u>(5,872,717)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	1,564,893	-
Purchase of investments	-	(389,655)
Interest income	<u>43,152</u>	<u>38,350</u>
Net Cash From Investing Activities	<u>1,608,045</u>	<u>(351,305)</u>
Net Change in Cash and Equivalents	(1,230,103)	(106,068)
CASH AND EQUIVALENTS		
Beginning of Year	<u>3,064,163</u>	<u>3,170,231</u>
End of Year	<u>\$ 1,834,060</u>	<u>\$ 3,064,163</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Income (loss) from operations	\$ (34,665)	\$ 672,528
Adjustments to reconcile income (loss) from operations to net cash from operating activities		
Depreciation	2,964,085	3,019,378
Changes in operating assets and liabilities		
Accounts receivable	(928,185)	(542,645)
Due from other funds	93,278	131,450
Due from other governments	-	3,456
Inventories	357,960	(143,328)
Prepaid expenses	8,050	(11,410)
Regulatory deposit	(289,903)	33,333
Accounts payable	(51,477)	91,635
Due to other funds	1,594,426	851,452
Due to other governments	(132,867)	-
Customer deposits	22,511	(42,975)
Regulatory liabilities	(1,685,156)	171,520
Pension obligations	(176,112)	(170,180)
Compensated absences	62,801	100,977
Net pension liabilities, net of deferred amounts	372,013	541,853
Other post employment benefit obligations payable	<u>1,456,015</u>	<u>1,410,910</u>
Net Cash From Operating Activities	<u>\$ 3,632,774</u>	<u>\$ 6,117,954</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Refunding bonds issued	\$ -	\$ 4,700,010
Issuance premium	-	492,585
Payment to refunded bond escrow agent	-	(5,122,176)
Refunding bond issuance costs	-	(70,419)

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