

Incorporated Village of Freeport, New York

Financial Statements and
Supplementary Information

Year Ended February 29, 2016

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 29, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Village's primary government 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 audit opinions.

Basis for Adverse Opinion on the Discretely Presented Component Unit

The financial statements do not include financial data for 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 the assets, liabilities, net position, revenues and expenses is not known since audited financial statements are not available.

Adverse Opinion – Discretely Presented Component Unit

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Discretely Presented Component Unit” paragraph, the financial statements referred to above do not present fairly, the financial position of the discretely presented component unit of the Village, as of February 29, 2016, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions – Primary Government

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Village, as of February 29, 2016, and the respective changes in financial position and, where applicable, cash flows, thereof, 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 Note 2F and Note 3F in the notes to financial statements which disclose the effects of the Village’s adoption of the provisions of Governmental Accounting Standards Board (“GASB”) Statement Nos. 68 “Accounting and Financial Reporting for Pensions” and 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date”. 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 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 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 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.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

February 21, 2017

Incorporated Village Of Freeport, New York

Management Discussion And Analysis
February 29, 2016

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 29, 2016. 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 \$40,799,033 at February 29, 2016 (net of a prior period adjustment and cumulative effect of change in accounting principle, see Notes 2E & 2F). The change in net position before the prior period adjustment and cumulative effect of change in accounting principle of \$4,155,892 was related to an increase in governmental activities and \$1,052,861 was related to an increase in the business-type activities for a total combined net position increase of \$5,208,753 (prior to the prior period adjustment and cumulative effect of change in accounting principles). The most notable factor contributing to this overall increase in net position is the effect on net pension liabilities due to the implementation of Governmental Accounting Standards Board ("GASB") Statement No. 68 and GASB Statement No. 71. In addition, the reduction of bonded debt and accounts payable contributed to a more favorable net position despite having to adjust the 2014-15 Workers' Compensation liability.
- As of February 29, 2016, the Village's governmental funds reported combined ending fund balances of \$8,585,511. Of this amount, \$2,363,459 is not in spendable form or is legally or contractually required to remain intact. Restricted for debt service requirements such as tax certioraris and general liability claims and/or capital improvements equates to \$520,316. In spendable form and assigned for specific purposes is \$19,336. The remaining \$5,682,400 is unassigned and currently available for spending. See Note 3I.
- At year end, the Village's total fund balance for the General Fund was \$10,010,279, an increase of \$1,473,316 from the prior year. The unassigned fund balance for the General Fund is \$7,107,168.
- 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 \$116,129,001 (exclusive of unamortized premium on bonds), of which \$53,668,769 relates to governmental activities and \$62,460,232 relates to business-type activities. There was a decrease in bonded debt in the amount of \$7,998,999.
- For the year ended February 29, 2016, the Village implemented the provisions of GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions*". This pronouncement established new accounting and financial reporting requirement associated with the Village's participation in the cost sharing multiple employer pension plans administered by the New York State and Local Employees' Retirement System ("ERS") and the New York State and Local Police and Fire Retirement System ("PFRS"). Under the new standards, cost-sharing employers are required to report in their government-wide financial statements a net pension liability (asset), pension expense and pension-related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all of the municipalities and school

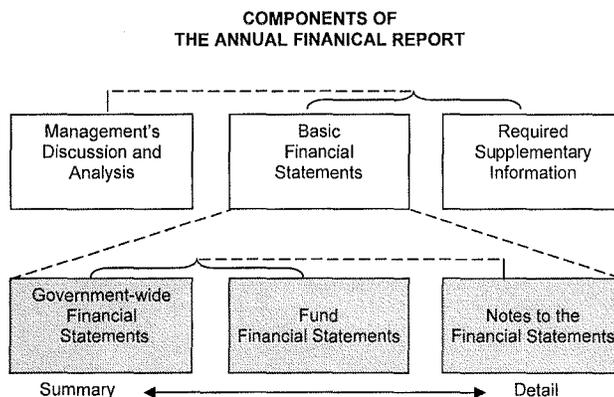
Incorporated Village Of Freeport, New York

Management Discussion And Analysis February 29, 2016

districts in the plan. At February 29, 2016, the Village reported in its Statement of Net Position a liability of \$2,274,077 for governmental activities and \$1,122,638 for business-type activities for its proportionate share of the ERS and PFRS net pension liability. More detailed information about the Village's pension plan reporting in accordance with the provision of GASB Statement No. 68, including amounts reported as pension expense and deferred inflows/outflows of resources, is presented in the notes to financial statements.

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.

Incorporated Village Of Freeport, New York

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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.

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 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 cost of certain services it provides.

Business-Type Activities - The Village charges a fee to customers to help it cover all or most of the cost 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. Refer to Note 1A and 2G of notes to 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.

Incorporated Village Of Freeport, New York

Management Discussion And Analysis
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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.

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 all 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

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Management Discussion And Analysis February 29, 2016

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.

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 \$40,799,033 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 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Assets						
Current and other assets	\$ 17,818,061	\$ 16,679,913	\$ 31,880,619	\$ 32,418,717	\$ 49,698,680	\$ 49,098,630
Capital assets	55,404,789	54,735,352	81,846,167	84,526,325	137,250,956	139,261,677
Total assets	73,222,850	71,415,265	113,726,786	116,945,042	186,949,636	188,360,307
Deferred outflows of resources	6,263,415	517,852	3,460,894	1,885,913	9,724,309	2,403,765
Liabilities						
Other liabilities	24,203,943	21,174,017	16,016,433	16,895,000	40,220,376	38,069,017
Long-term liabilities	118,016,229	110,836,834	78,850,609	80,759,686	196,866,838	191,596,520
Total liabilities	142,220,172	132,010,851	94,867,042	97,654,686	237,087,214	229,665,537
Deferred inflows of resources	206,847	-	178,917	-	385,764	-
Net position						
Net investment in capital assets	19,262,382	15,800,197	18,829,059	17,359,024	38,091,441	33,159,221
Restricted - Debt Service	520,316	2,184,900	-	-	520,316	2,184,900
Unrestricted	(82,723,452)	(78,062,831)	3,312,662	3,817,245	(79,410,790)	(74,245,586)
Total net position	\$ (62,940,754)	\$ (60,077,734)	\$ 22,141,721	\$ 21,176,269	\$ (40,799,033)	\$ (38,901,465)

Total assets and deferred outflows of resources of the Village's governmental activities, as of February 29, 2016, were \$73,222,850 and \$6,263,415, respectively, a total increase of \$7,553,148. Total liabilities and deferred inflows of resources as of February 29, 2016 were \$142,220,172 and \$206,847, respectively, a total increase of \$1,397,873. This resulted in a net deficit balance of \$62,940,754 for 2016, an increase of \$2,863,020. Of the Village's governmental activities net position (deficit) balance, \$19,262,382 was a net investment in capital assets, \$520,316 was restricted for debt service; leaving an \$82,723,452 unrestricted deficit.

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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, 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 29, 2016, were \$113,726,786 and \$3,460,894, respectively, a total decrease of \$1,643,275. Total liabilities and deferred inflows of resources as of February 29, 2016 were \$94,867,042 and \$178,917, respectively, a total decrease of \$2,608,727. This resulted in a net position balance of \$22,141,721 for 2016, an increase of \$965,452. Of the Village's business-type activities net position balance, \$18,829,059 represents net investment in capital assets; leaving \$3,312,662 as unrestricted net position.

The Village's combined net investment in capital assets of \$38,091,441 as of February 29, 2016, 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, after prior period adjustments, increased in the current year after many subsequent years of decreasing due to the ongoing recognition of other postemployment healthcare costs. The unfunded liability for other postemployment benefit obligations increased by \$6,250,181 in the current year, bringing the unfunded liability at year end to \$58,575,323. Additional information on other postemployment benefits can be found in Note 3F to the financial statements.

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Management Discussion And Analysis February 29, 2016

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 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Program Revenues						
Charges for services	\$ 12,713,774	\$ 12,263,760	\$ 38,201,140	\$ 39,839,261	\$ 50,914,914	\$ 52,103,021
Operating grants and contributions	351,231	316,726	-	-	351,231	316,726
Capital grants and contributions	1,999,514	1,100,874	-	-	1,999,514	1,100,874
	<u>15,064,519</u>	<u>13,681,360</u>	<u>38,201,140</u>	<u>39,839,261</u>	<u>53,265,659</u>	<u>53,520,621</u>
General Revenues						
Real property taxes	42,671,594	42,587,094	-	-	42,671,594	42,587,094
Other real property tax items	6,135,403	5,958,140	-	-	6,135,403	5,958,140
Non-property tax items	1,121,448	1,026,869	-	-	1,121,448	1,026,869
Use of money and property	14,393	168,878	6,709	29,793	21,102	198,671
Insurance recoveries	731,515	595,043	-	-	731,515	595,043
Gain on disposition	330,966	172,873	-	-	330,966	172,873
State aid - unrestricted	1,338,056	1,298,741	-	-	1,338,056	1,298,741
Costs to be recovered in future revenues	-	-	1,579,303	1,479,699	1,579,303	1,479,699
Other	94,640	93,315	-	-	94,640	93,315
	<u>52,438,015</u>	<u>51,900,953</u>	<u>1,586,012</u>	<u>1,509,492</u>	<u>54,024,027</u>	<u>53,410,445</u>
Total revenues	<u>67,502,534</u>	<u>65,582,313</u>	<u>39,787,152</u>	<u>41,348,753</u>	<u>107,289,686</u>	<u>106,931,066</u>
Program expenses						
General government support	12,393,307	12,096,394	-	-	12,393,307	12,096,394
Public safety	34,631,167	35,609,765	-	-	34,631,167	35,609,765
Health	2,736	3,216	-	-	2,736	3,216
Transportation	4,708,666	4,715,279	-	-	4,708,666	4,715,279
Economic assistance and opportunity	113,095	91,112	-	-	113,095	91,112
Culture and recreation	5,340,950	5,690,589	-	-	5,340,950	5,690,589
Home and community services	4,486,642	4,470,048	-	-	4,486,642	4,470,048
Interest on debt	1,670,079	1,831,006	-	-	1,670,079	1,831,006
Electric	-	-	31,823,149	33,792,297	31,823,149	33,792,297
Water	-	-	6,911,142	6,799,442	6,911,142	6,799,442
	<u>63,346,642</u>	<u>64,507,409</u>	<u>38,734,291</u>	<u>40,591,739</u>	<u>102,080,933</u>	<u>105,099,148</u>
Change in net position	<u>4,155,892</u>	<u>1,074,904</u>	<u>1,052,861</u>	<u>757,014</u>	<u>5,208,753</u>	<u>1,831,918</u>
Net position, beginning of the year	(60,077,734)	(61,152,638)	21,176,269	20,419,255	(38,901,465)	(40,733,383)
Prior period adjustment (see note 2E)	(9,018,295)	-	-	-	(9,018,295)	-
Cumulative effect of change in accounting principle (see note 2F)	1,999,383	-	(87,409)	-	1,911,974	-
Net position, beginning of the year, as restated	<u>(67,096,646)</u>	<u>(61,152,638)</u>	<u>21,088,860</u>	<u>20,419,255</u>	<u>(46,007,786)</u>	<u>(40,733,383)</u>
Net position, end of year	<u>\$ (62,940,754)</u>	<u>\$ (60,077,734)</u>	<u>\$ 22,141,721</u>	<u>\$ 21,176,269</u>	<u>\$ (40,799,033)</u>	<u>\$ (38,901,465)</u>

During the year ended February 29, 2016, government-wide revenues increased from the prior year by \$358,620 while government-wide expenses decreased from the prior year by \$3,018,215.

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

- Governmental activities program revenues decreased by approximately \$255,000, primarily as a result of a decrease in electric usage, which was partially offset by an increase in water usage.
- Governmental activities general revenues increased by approximately \$613,600 due to an increase in arrears collection of other real property tax items, franchise fees and insurance recoveries.

Incorporated Village Of Freeport, New York

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

- Electric utility expenses decreased by approximately \$1,969,000 from the prior year as a result of reduced costs relating to power generation and transmission and distribution services.
- Interest on debt decreased by approximately \$161,000 due to bonding at more favorable rates and debt restructuring.
- There was a decrease in public safety and cultural and recreation expenses primarily due to a decrease in depreciation expense charged to those functions.

Total Cost of Services, Program Revenues and Net Cost of Services Governmental Activities For the years ended February 29, 2016 and February 28, 2015

	Total Cost of Services		Program Revenues		Net Cost of Services	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
General government support	\$ 12,393,307	\$ 12,096,394	\$ 2,521,535	\$ 3,075,911	\$ 9,871,772	\$ 9,020,483
Public Safety	34,631,167	35,609,765	3,319,096	2,315,333	31,312,071	33,294,432
Health	2,736	3,216	-	-	2,736	3,216
Transportation	4,708,666	4,715,279	1,840,393	1,608,121	2,868,273	3,107,158
Economic assistance and opportunity	113,095	91,112	-	-	113,095	91,112
Cultural and recreation	5,340,950	5,690,589	2,340,589	1,857,618	3,000,361	3,832,971
Home and community services	4,486,642	4,470,048	5,042,906	4,824,377	(556,264)	(354,329)
Interest on debt	1,670,079	1,831,006	-	-	1,670,079	1,831,006
	\$ 63,346,642	\$ 64,507,409	\$ 15,064,519	\$ 13,681,360	\$ 48,282,123	\$ 50,826,049

The cost of the governmental activities this year was \$63,346,642. The net cost of these services after being subsidized by program revenues of \$15,064,519 was \$48,282,123.

Total Cost of Services, Program Revenues and Net Cost (Income) of Services Business-Type Activities For the years ended February 29, 2016 and February 28, 2015

	Total Cost of Services		Program Revenues		Net Cost of Services	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Electric	\$ 31,823,149	\$ 33,792,297	\$ 30,743,586	\$ 32,706,863	\$ 1,079,563	\$ 1,085,434
Water	6,911,142	6,799,442	7,457,554	7,132,398	(546,412)	(332,956)
	\$ 38,734,291	\$ 40,591,739	\$ 38,201,140	\$ 39,839,261	\$ 533,151	\$ 752,478

The cost of the business-type activities this year was \$38,734,291. The net cost of these services after being subsidized by program revenues of \$38,201,140 was \$533,151.

Incorporated Village Of Freeport, New York

Management Discussion And Analysis
February 29, 2016

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, unreserved 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 \$10,010,279, an increase of \$1,473,316 from the prior year. Of this amount, \$2,363,459 is not in spendable form (inventory of material and supplies, long term receivables and prepaid expenditures) and of the remaining \$7,646,820, \$520,316 is restricted for debt service payments, \$19,336 has been assigned for purchase orders by the Village Comptroller, and the remaining \$7,107,168 is unassigned.

The key elements of the fund balance increase of \$1,473,316 are as follows:

- Insurance recoveries received exceeded the final budgeted revenue by \$281,500
- Approximately \$585,000 of unbudgeted revenue can be attributed to the Village's "Operation Safe Streets" program
- Sales of real property were an unbudgeted revenue of \$300,998
- The combined positive variances (actual expenditures were less than the final budget) in the public safety, cultural and recreation, and interest on debt functions were approximately \$293,000

At the end of the current year, the Capital Projects Fund had a total deficit fund balance of \$1,424,768. The Capital Projects Fund balance decreased by \$894,441 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 29, 2016, the Water Fund's net position was \$10,608,706, an increase of \$867,536 from the prior year exclusive of the cumulative effect of change in accounting principle. Operating revenues increased by approximately \$325,000, a result of increased 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 by approximately \$274,000, a result of the additional costs related to increased demand of water pumpage coupled with increases in salaries and other administrative costs. The Water Fund's non-operating expenses decreased by approximately \$200,000 due to reduced interest expense on debt in the current year as the fund has paid down a portion of its outstanding debt in advance at the same time it refunded a portion of another debt issuance.

Incorporated Village Of Freeport, New York

Management Discussion And Analysis
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Electric Fund

As of February 29, 2016, the Electric Fund's net position was \$11,533,015, an increase of \$185,325 from the prior year exclusive of the cumulative effect of change in accounting principle. Operating revenues decreased by approximately \$1,963,000 as a result of a decrease in residential and commercial sales from the prior fiscal year. Operating expenses also decreased by approximately \$1,888,000, in line with the previously referenced decrease in sales from the prior fiscal year despite an increase in the cost of salaries and other administrative costs. The Electric Fund's (net) non-operating expenses decreased by approximately \$120,000, mainly due to reduced interest expense on debt in the current year as the fund has refunded a portion of another debt issuance.

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 increases the appropriations in excess of the estimated revenues in the amount of \$51,908 by appropriating prior year assigned fund balance. Overall, total revenues and other financing sources were less than budgeted by \$42,347 and total actual expenditures were less than total appropriations in the amount of \$1,567,571. As a result the Village's overall budget was under-expended by \$1,525,224. In addition, the original budget was increased as follows:

Estimated revenues	\$ 174,250
Other financing sources	<u>7,467,945</u>
	7,642,195
Appropriations	<u>7,642,195</u>
	<u>\$ -0-</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 29, 2016, amounts to \$55,404,789 and \$81,846,167, 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 29, 2016

During the fiscal year ended February 29, 2016, the Village's major capital expenditures were as follows:

Electric fund machinery and equipment	\$ 941,655
Various road and sewer system improvements	2,557,240
Various building improvements	1,343,337
Acquisition of vehicles and major equipment - governmental activities	<u>1,202,013</u>
	<u>\$ 6,044,245</u>

Capital Assets Governmental Activities

	February 29, 2016	February 28, 2015
Land	\$ 3,564,750	\$ 3,564,750
Construction in progress	63,017	469,398
Buildings	13,798,789	13,745,461
Improvements other than buildings	17,918,914	16,628,905
Machinery and equipment	15,156,173	14,410,737
Intangibles - software	1,245,155	1,212,618
Infrastructure:		
Roads, curbs, sidewalks and drainage	51,156,857	48,629,844
Sewer system	<u>20,876,589</u>	<u>20,846,362</u>
 Total capital assets	 123,780,244	 119,508,075
Less: accumulated depreciation	<u>68,375,455</u>	<u>64,772,723</u>
 Total net governmental capital assets	 <u>\$ 55,404,789</u>	 <u>\$ 54,735,352</u>

Incorporated Village Of Freeport, New York

Management Discussion And Analysis
February 29, 2016

Capital Assets Business-type Activities

	February 29, 2016	February 28, 2015
Land	\$ 170,220	\$ 170,220
Construction in progress	152,423	23,631
Buildings, wells and structures	21,280,002	21,280,002
Improvements other than buildings	2,012,626	2,003,967
Machinery and equipment	108,074,120	107,251,439
Infrastructure:		
Water mains	19,685,634	19,685,634
Total capital assets	151,375,025	150,414,893
Less: accumulated depreciation	69,528,858	65,888,568
Total net business-type capital assets	\$ 81,846,167	\$ 84,526,325

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 3B to the 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 January 16, 2017 was 20.39%.

Incorporated Village Of Freeport, New York

Management Discussion And Analysis February 29, 2016

Debt Administration

A summary of activity for outstanding debt for the Village for the year ended February 29, 2016 is as follows:

	Balance March 1, 2015	Increases	Decreases	Balance February 29, 2016
Governmental activities:				
Bond anticipation notes	\$ 8,946,500	\$ 4,051,000	\$ 2,330,000	\$ 10,667,500
General obligation bonds*	48,542,143	4,186,610	9,727,484	43,001,269
	<u>\$ 57,488,643</u>	<u>\$ 8,237,610</u>	<u>\$ 12,057,484</u>	<u>\$ 53,668,769</u>
Business-type activities:				
Bond anticipation notes	136,500	465,000	10,000	591,500
General obligation bonds*	66,502,857	4,203,390	8,837,515	61,868,732
	<u>\$ 66,639,357</u>	<u>\$ 4,668,390</u>	<u>\$ 8,847,515</u>	<u>\$ 62,460,232</u>

*Exclusive of related bond premiums

Moody's Investment Services maintained the Village's credit rating at "A1" during the year ended February 29, 2016. 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 3E and 3F to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Property Tax

The Village has adopted a budget for the 2016-2017 fiscal year, which factors in inflation and other adjustments to revenues and expenditures as well as prior year positive and negative fund balances. The 2016-2017 budget includes an overall decrease in real property tax revenues from the prior year of 0.866% 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
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Tax Assessment Trends

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 ended February 28, 2017, 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 29, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 5,197,390	\$ 4,075,705	\$ 9,273,095
Investments	6,887,872	4,827,773	11,715,645
Receivables			
Taxes	542,513	-	542,513
Accounts, net	1,116,370	6,844,153	7,960,523
State and Federal aid	749,212	-	749,212
Due from other governments	736,930	3,456	740,386
Internal balances	313,757	(313,757)	-
Due from component unit	1,442,944	-	1,442,944
Inventories	406,675	2,617,760	3,024,435
Prepaid expenses	424,398	121,622	546,020
Costs to be recovered from future revenues	-	13,630,554	13,630,554
Regulatory deposit	-	73,353	73,353
Capital assets			
Not being depreciated	3,627,767	322,643	3,950,410
Being depreciated, net	51,777,022	81,523,524	133,300,546
Total Assets	73,222,850	113,726,786	186,949,636
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts on refunding bonds	293,891	1,807,834	2,101,725
Deferred amounts on net pension liabilities	5,969,524	1,653,060	7,622,584
Total Deferred Outflows of Resources	6,263,415	3,460,894	9,724,309
LIABILITIES			
Accounts payable	2,844,517	1,548,187	4,392,704
Accrued interest payable	466,671	444,103	910,774
Accrued liabilities	561,646	17,212	578,858
Due to other governments	9,841	132,867	142,708
Due to component unit	7,256	-	7,256
Customer deposits	-	1,428,344	1,428,344
Regulatory liabilities	-	6,555,370	6,555,370
Bond anticipation notes payable	5,297,500	591,500	5,889,000
Unearned revenues	-	229,241	229,241
Non-current liabilities			
Due within one year	15,016,512	5,069,609	20,086,121
Due in more than one year	118,016,229	78,850,609	196,866,838
Total Liabilities	142,220,172	94,867,042	237,087,214
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts on net pension liabilities	206,847	178,917	385,764
NET POSITION			
Net investment in capital assets	19,262,382	18,829,059	38,091,441
Restricted for debt service	520,316	-	520,316
Unrestricted	(82,723,452)	3,312,662	(79,410,790)
Total Net Position	\$ (62,940,754)	\$ 22,141,721	\$ (40,799,033)

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

Incorporated Village of Freeport, New York

Statement of Activities
 Year Ended February 29, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government support	\$ 12,393,307	\$ 2,443,916	\$ 77,619	\$ -
Public safety	34,631,167	3,157,148	161,948	-
Health	2,736	-	-	-
Transportation	4,708,666	538,410	-	1,301,983
Economic opportunity and development	113,095	-	-	-
Culture and recreation	5,340,950	2,055,655	-	284,934
Home and community services	4,486,642	4,518,645	111,664	412,597
Interest	1,670,079	-	-	-
Total Governmental Activities	<u>63,346,642</u>	<u>12,713,774</u>	<u>351,231</u>	<u>1,999,514</u>
Business-type activities				
Water	6,911,142	7,457,554	-	-
Electric	31,823,149	30,743,586	-	-
Total Business-Type Activities	<u>38,734,291</u>	<u>38,201,140</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 102,080,933</u>	<u>\$ 50,914,914</u>	<u>\$ 351,231</u>	<u>\$ 1,999,514</u>

General revenues
 Real property taxes
 Other tax items
 Interest and penalties on real property taxes
 Payments in lieu of taxes
 Non-property taxes
 Non-property tax distribution from County
 Utilities gross receipts tax
 Unrestricted use of money and property
 Unrestricted State aid
 Miscellaneous
 Insurance recoveries
 Costs to be recovered from future revenues
 Gain on sale of property

Total General Revenues

Change in Net Position

NET POSITION

Beginning of Year, as reported

Prior Period Adjustment

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
\$ (9,871,772)	\$ -	\$ (9,871,772)
(31,312,071)	-	(31,312,071)
(2,736)	-	(2,736)
(2,868,273)	-	(2,868,273)
(113,095)	-	(113,095)
(3,000,361)	-	(3,000,361)
556,264	-	556,264
(1,670,079)	-	(1,670,079)
<u>(48,282,123)</u>	<u>-</u>	<u>(48,282,123)</u>
-	546,412	546,412
-	(1,079,563)	(1,079,563)
<u>-</u>	<u>(533,151)</u>	<u>(533,151)</u>
<u>(48,282,123)</u>	<u>(533,151)</u>	<u>(48,815,274)</u>
42,671,594	-	42,671,594
354,515	-	354,515
5,780,888	-	5,780,888
119,088	-	119,088
1,002,360	-	1,002,360
14,393	6,709	21,102
1,338,056	-	1,338,056
94,640	-	94,640
731,515	-	731,515
-	1,579,303	1,579,303
330,966	-	330,966
<u>52,438,015</u>	<u>1,586,012</u>	<u>54,024,027</u>
<u>4,155,892</u>	<u>1,052,861</u>	<u>5,208,753</u>
(60,077,734)	21,176,269	(38,901,465)
(9,018,295)	-	(9,018,295)
<u>1,999,383</u>	<u>(87,409)</u>	<u>1,911,974</u>
<u>(67,096,646)</u>	<u>21,088,860</u>	<u>(46,007,786)</u>
<u>\$ (62,940,754)</u>	<u>\$ 22,141,721</u>	<u>\$ (40,799,033)</u>

Incorporated Village of Freeport, New York

Balance Sheet
Governmental Funds
February 29, 2016

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and equivalents	\$ 3,664,538	\$ 1,532,852	\$ 5,197,390
Investments	5,647,201	1,240,671	6,887,872
Taxes receivable	542,513	-	542,513
Other receivables			
Accounts, net	1,023,673	92,697	1,116,370
State and Federal aid	201,008	548,204	749,212
Due from other funds	1,384,866	839,270	2,224,136
Due from other governments	330,553	406,377	736,930
Due from component unit	1,442,944	-	1,442,944
	<u>4,383,044</u>	<u>1,886,548</u>	<u>6,269,592</u>
Inventories	406,675	-	406,675
Prepaid expenditures	424,398	-	424,398
Total Assets	<u>\$ 15,068,369</u>	<u>\$ 4,660,071</u>	<u>\$ 19,728,440</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)			
Liabilities			
Accounts payable	\$ 2,647,893	\$ 196,624	\$ 2,844,517
Accrued liabilities	490,765	70,881	561,646
Due to other funds	1,390,545	519,834	1,910,379
Due to other governments	9,841	-	9,841
Due to component unit	7,256	-	7,256
Bond anticipation notes payable	-	5,297,500	5,297,500
Total Liabilities	4,546,300	6,084,839	10,631,139
Deferred inflows of resources			
Deferred tax revenues	511,790	-	511,790
Total Liabilities and Deferred Inflows of Resources	<u>5,058,090</u>	<u>6,084,839</u>	<u>11,142,929</u>
Fund balances (deficits)			
Nonspendable	2,363,459	-	2,363,459
Restricted	520,316	-	520,316
Assigned	19,336	-	19,336
Unassigned	7,107,168	(1,424,768)	5,682,400
Total Fund Balances (Deficits)	<u>10,010,279</u>	<u>(1,424,768)</u>	<u>8,585,511</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 15,068,369</u>	<u>\$ 4,660,071</u>	<u>\$ 19,728,440</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 29, 2016

Fund Balances - Total Governmental Funds	\$ 8,585,511
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>55,404,789</u>
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reflected as unearned in the funds. Deferred tax revenue	<u>511,790</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	<u>293,891</u> <u>5,762,677</u>
	<u>6,056,568</u>
Long-term liabilities that are not due and payable in the current period are not reported in the funds. Accrued interest payable Claims payable Bonds payable Compensated absences Bond anticipation notes payable Pension obligations Net pension liabilities Other post employment benefit obligations payable	<u>(466,671)</u> <u>(12,094,996)</u> <u>(43,536,439)</u> <u>(19,782,021)</u> <u>(5,370,000)</u> <u>(5,030,439)</u> <u>(2,274,077)</u> <u>(44,944,769)</u>
	<u>(133,499,412)</u>
Net Position of Governmental Activities	<u>\$ (62,940,754)</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 29, 2016

	General	Capital Projects	Total Governmental Funds
REVENUES			
Real property taxes	\$ 42,753,750	\$ -	\$ 42,753,750
Other tax items	6,135,403	-	6,135,403
Non-property taxes	1,121,448	-	1,121,448
Departmental income	7,233,906	-	7,233,906
Intergovernmental revenues	9,846	-	9,846
Interfund revenues	1,088,000	-	1,088,000
Use of money and property	1,627,723	-	1,627,723
Licenses and permits	1,256,807	-	1,256,807
Fines and forfeitures	2,436,705	-	2,436,705
State aid	1,577,623	1,135,697	2,713,320
Federal aid	111,664	422,536	534,200
Miscellaneous	257,820	441,281	699,101
Total Revenues	65,610,695	1,999,514	67,610,209
EXPENDITURES			
Current			
General government support	10,838,898	-	10,838,898
Public safety	20,927,418	-	20,927,418
Health	2,736	-	2,736
Transportation	2,480,581	-	2,480,581
Economic opportunity and development	266,220	-	266,220
Culture and recreation	3,312,649	-	3,312,649
Home and community services	3,476,807	-	3,476,807
Employee benefits	17,727,928	-	17,727,928
Capital outlay	-	3,426,460	3,426,460
Debt service			
Principal	5,652,444	-	5,652,444
Interest	1,681,675	-	1,681,675
Refunding bond issuance costs	69,717	-	69,717
Total Expenditures	66,437,073	3,426,460	69,863,533
Deficiency of Revenues Over Expenditures	(826,378)	(1,426,946)	(2,253,324)
OTHER FINANCING SOURCES (USES)			
Insurance recoveries	731,515	-	731,515
Sale of real property	330,966	-	330,966
Bond anticipation notes issued	1,700,000	-	1,700,000
Refunding bonds issued	4,186,610	-	4,186,610
Issuance premium	111,335	-	111,335
Payment to refunded bond escrow agent	(4,228,227)	-	(4,228,227)
Transfers in	1,697,495	2,230,000	3,927,495
Transfers out	(2,230,000)	(1,697,495)	(3,927,495)
Total Other Financing Sources	2,299,694	532,505	2,832,199
Net Change in Fund Balances	1,473,316	(894,441)	578,875
FUND BALANCES (DEFICITS)			
Beginning of Year	8,536,963	(530,327)	8,006,636
End of Year	<u>\$ 10,010,279</u>	<u>\$ (1,424,768)</u>	<u>\$ 8,585,511</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 29, 2016

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

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 578,875</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. This amount may be less than total capital outlay since capital outlay includes amounts that are under the capitalization threshold.	
Capital outlay expenditures	4,728,746
Depreciation expense	<u>(4,059,309)</u>
	<u>669,437</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>(82,156)</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.	
Refunding bonds issued	(4,186,610)
Payment to refunded bond escrow agent	4,228,227
Issuance premium	(111,335)
Bond anticipation notes issued	(1,700,000)
Principal paid on bond anticipation notes	100,000
Principal paid on bonds	5,552,444
Amortization of loss on refunding bonds and issuance premium	<u>(129,610)</u>
	<u>3,753,116</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	141,206
Claims payable	2,758,120
Compensated absences	(453,362)
Pension obligations	(27,683)
Net pension liabilities, net of deferred amounts	1,489,217
Other post employment benefit obligations	<u>(4,670,878)</u>
	<u>(763,380)</u>
Change in Net Position of Governmental Activities	<u>\$ 4,155,892</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 29, 2016

	Original Budget (1)	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Real property taxes	\$ 42,588,929	\$ 42,588,929	\$ 42,753,750	\$ 164,821
Other tax items	6,025,317	6,025,317	6,135,403	110,086
Non-property taxes	1,039,000	1,039,000	1,121,448	82,448
Departmental income	7,180,130	7,180,130	7,233,906	53,776
Intergovernmental charges	75,000	75,000	9,846	(65,154)
Interfund charges	1,088,000	1,088,000	1,088,000	-
Use of money and property	1,275,021	1,275,021	1,627,723	352,702
Licenses and permits	1,375,638	1,375,638	1,256,807	(118,831)
Fines and forfeitures	1,870,000	1,870,000	2,436,705	566,705
State aid	2,225,133	2,242,133	1,577,623	(664,510)
Federal aid	50,000	50,000	111,664	61,664
Miscellaneous	133,200	290,450	257,820	(32,630)
Total Revenues	64,925,368	65,099,618	65,610,695	511,077
EXPENDITURES				
Current				
General government support	11,689,792	12,060,908	10,838,898	1,222,010
Public safety	20,564,566	21,039,601	20,927,418	112,183
Health	2,800	2,800	2,736	64
Transportation	2,361,252	2,518,252	2,480,581	37,671
Economic opportunity and development	233,417	268,417	266,220	2,197
Culture and recreation	3,432,605	3,432,705	3,312,649	120,056
Home and community services	3,907,082	3,512,082	3,476,807	35,275
Employee benefits	16,749,546	17,710,546	17,727,928	(17,382)
Debt service				
Principal	6,087,674	5,647,674	5,652,444	(4,770)
Interest	1,791,942	1,741,942	1,681,675	60,267
Refunding bond issuance costs	-	69,717	69,717	-
Total Expenditures	66,820,676	68,004,644	66,437,073	1,567,571
Deficiency of Revenues Over Expenditures	(1,895,308)	(2,905,026)	(826,378)	2,078,648
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	450,000	450,000	731,515	281,515
Sale of real property	13,400	13,400	330,966	317,566
Bond anticipation notes issued	1,150,000	2,850,000	1,700,000	(1,150,000)
Refunding bonds issued	-	4,186,610	4,186,610	-
Issuance premium	-	111,335	111,335	-
Payment to refunded bond escrow agent	-	(4,228,227)	(4,228,227)	-
Transfers in	230,000	1,700,000	1,697,495	(2,505)
Transfers out	-	(2,230,000)	(2,230,000)	-
Total Other Financing Sources	1,843,400	2,853,118	2,299,694	(553,424)
Net Change in Fund Balance	(51,908)	(51,908)	1,473,316	1,525,224
FUND BALANCE				
Beginning of Year	51,908	51,908	8,536,963	8,485,055
End of Year	\$ -	\$ -	\$ 10,010,279	\$ 10,010,279

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

(1) Includes prior year encumbrances of \$51,908.

Incorporated Village of Freeport, New York

Statement of Net Position
 Proprietary Funds
 February 29, 2016

	Business-type Activities - Enterprise Funds		
	Water	Electric	Totals
ASSETS			
Current assets			
Cash and equivalents	\$ 385,479	\$ 3,690,226	\$ 4,075,705
Investments	2	4,827,771	4,827,773
Accounts receivable	2,921,485	3,922,668	6,844,153
Due from other funds	522,606	597,963	1,120,569
Due from other governments	-	3,456	3,456
Inventories	114,642	2,503,118	2,617,760
Prepaid expenses	18,728	102,894	121,622
Total Current Assets	3,962,942	15,648,096	19,611,038
Non-current assets			
Costs to be recovered from future revenues	2,793,950	10,836,604	13,630,554
Regulatory deposit	-	73,353	73,353
Capital assets			
Not being depreciated	85,981	236,662	322,643
Being depreciated, net	17,350,462	64,173,062	81,523,524
Total Non-Current Assets	20,230,393	75,319,681	95,550,074
Total Assets	24,193,335	90,967,777	115,161,112
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts on refunding bonds	124,771	1,683,063	1,807,834
Deferred amounts on net pension liabilities	309,726	1,343,334	1,653,060
Total Deferred Outflows of Resources	434,497	3,026,397	3,460,894
LIABILITIES			
Current liabilities			
Accounts payable	222,506	1,325,681	1,548,187
Accrued interest payable	72,128	371,975	444,103
Accrued liabilities	17,212	-	17,212
Due to other funds	217,026	1,217,300	1,434,326
Due to other governments	-	132,867	132,867
Customer deposits	-	1,428,344	1,428,344
Regulatory liabilities	-	6,555,370	6,555,370
Bond anticipation notes payable	126,500	465,000	591,500
Unearned revenues	-	229,241	229,241
Total Current Liabilities	655,372	11,725,778	12,381,150
Non-current liabilities			
Due within one year	1,208,846	3,860,763	5,069,609
Due in more than one year	12,121,385	66,729,224	78,850,609
Total Non-Current Liabilities	13,330,231	70,589,987	83,920,218
Total Liabilities	13,985,603	82,315,765	96,301,368
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts on net pension liabilities	33,523	145,394	178,917
NET POSITION			
Net investment in capital assets	7,792,705	11,036,354	18,829,059
Unrestricted	2,816,001	496,661	3,312,662
Total Net Position	\$ 10,608,706	\$ 11,533,015	\$ 22,141,721

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 29, 2016

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Electric</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ 6,962,618	\$ 30,059,399	\$ 37,022,017
Interest and penalties	494,936	-	494,936
Miscellaneous	-	684,187	684,187
	<u>7,457,554</u>	<u>30,743,586</u>	<u>38,201,140</u>
OPERATING EXPENSES			
Power generation	-	11,619,573	11,619,573
Power and pumping	2,037,315	-	2,037,315
Transmission and distribution services	319,320	1,470,830	1,790,150
Street lighting and signal system	-	102,826	102,826
Customer counting and collection	-	932,052	932,052
Administrative and general	2,159,909	8,158,575	10,318,484
Depreciation	751,637	3,007,627	3,759,264
Charges in lieu of taxes	1,344,150	3,797,000	5,141,150
Miscellaneous	-	456,902	456,902
	<u>6,612,331</u>	<u>29,545,385</u>	<u>36,157,716</u>
Total Operating Revenues			
	<u>7,457,554</u>	<u>30,743,586</u>	<u>38,201,140</u>
Total Operating Expenses			
	<u>6,612,331</u>	<u>29,545,385</u>	<u>36,157,716</u>
Income from Operations	<u>845,223</u>	<u>1,198,201</u>	<u>2,043,424</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	231	6,478	6,709
Interest expense	(298,811)	(2,277,764)	(2,576,575)
Costs to be covered from future revenues	320,893	1,258,410	1,579,303
	<u>22,313</u>	<u>(1,012,876)</u>	<u>(990,563)</u>
Total Non-Operating Revenues (Expenses)			
	<u>22,313</u>	<u>(1,012,876)</u>	<u>(990,563)</u>
Change in Net Position	<u>867,536</u>	<u>185,325</u>	<u>1,052,861</u>
NET POSITION			
Beginning of Year, as reported	9,757,547	11,418,722	21,176,269
Cumulative Effect of Change in Accounting Principle	<u>(16,377)</u>	<u>(71,032)</u>	<u>(87,409)</u>
Beginning of Year, as restated	<u>9,741,170</u>	<u>11,347,690</u>	<u>21,088,860</u>
End of Year	<u>\$ 10,608,706</u>	<u>\$ 11,533,015</u>	<u>\$ 22,141,721</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 29, 2016

	Business-type Activities - Enterprise Funds		
	Water	Electric	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from charges for services	\$ 7,447,400	\$ 30,104,310	\$ 37,551,710
Cash received from interfund services provided	-	2,482,400	2,482,400
Cash payments for goods, services and compensation	(2,890,186)	(22,276,029)	(25,166,215)
Cash payments for interfund services used	(3,015,354)	(3,855,377)	(6,870,731)
Net Cash From Operating Activities	1,541,860	6,455,304	7,997,164
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on bonds	(1,096,001)	(3,276,555)	(4,372,556)
Principal paid on bond anticipation notes	(10,000)	-	(10,000)
Advance refunding escrow	(273,166)	-	(273,166)
Bond anticipation notes issued	-	465,000	465,000
Interest paid on indebtedness	(264,958)	(2,331,412)	(2,596,370)
Acquisition and construction of capital assets	(8,659)	(1,070,447)	(1,079,106)
Net Cash From Capital and Related Financing Activities	(1,652,784)	(6,213,414)	(7,866,198)
CASH FLOW FROM INVESTING ACTIVITIES			
Sale of investments	273,104	-	273,104
Purchase of investments	-	(272,332)	(272,332)
Interest income	231	6,478	6,709
Net Cash From Investing Activities	273,335	(265,854)	7,481
Net Change in Cash and Equivalents	162,411	(23,964)	138,447
CASH AND EQUIVALENTS			
Beginning of Year	223,068	3,714,190	3,937,258
End of Year	\$ 385,479	\$ 3,690,226	\$ 4,075,705
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES			
Income from operations	\$ 845,223	\$ 1,198,201	\$ 2,043,424
Adjustments to reconcile income from operations to net cash from operating activities			
Depreciation	751,637	3,007,627	3,759,264
Changes in operating assets and liabilities			
Accounts receivable	(10,154)	1,994,927	1,984,773
Due from other funds	1,083,086	89,610	1,172,696
Due from other governments	-	38	38
Inventories	9,859	249,956	259,815
Prepaid expenses	24,535	109,466	134,001
Regulatory deposit	-	433,334	433,334
Accounts payable	148,079	(1,586,763)	(1,438,684)
Accrued liabilities	7,938	-	7,938
Due to other funds	(1,671,204)	(58,377)	(1,729,581)
Customer deposits	-	(234,371)	(234,371)
Regulatory liabilities	-	170,631	170,631
Unearned revenues	-	(7,080)	(7,080)
Pension obligations	16,737	79,238	95,975
Compensated absences	97,468	107,134	204,602
Net pension liabilities, net of deferred amounts	(82,237)	(356,677)	(438,914)
Other post employment benefit obligations payable	320,893	1,258,410	1,579,303
Net Cash from Operating Activities	\$ 1,541,860	\$ 6,455,304	\$ 7,997,164
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Refunding bonds issued	\$ 3,960,583	\$ 242,807	\$ 4,203,390
Issuance premium	105,325	6,457	111,782
Payment to refunded bond escrow agent	(4,273,121)	(245,221)	(4,518,342)
Refunding bond issuance costs	(65,953)	(4,043)	(69,996)

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 29, 2016

	<u>Agency</u>
ASSETS	
Cash and equivalents	\$ 263,071
Investments	14,587
Investments - Service awards program	4,757,145
Accounts receivable	<u>806,193</u>
 Total Assets	 <u><u>\$ 5,840,996</u></u>
 LIABILITIES	
Accounts payable	\$ 384,716
Deposits	590,370
Employee payroll deductions	108,765
Length of service award program payable	<u>4,757,145</u>
 Total Liabilities	 <u><u>\$ 5,840,996</u></u>

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

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2016

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 statement 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 ("County"). Refer to Note 2G.

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; (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, service awards programs 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. A ninety day availability period is generally used for revenue recognition for most other governmental fund revenues. Property taxes associated with the current fiscal period as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, certain pension obligations, net pension liability, certain claims, tax certiorari 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

Deposits, Investments and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

The Village's 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. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

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.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

not covered by depository insurance were not exposed to custodial credit risk at February 29, 2016.

Investments - The Village participates in the Cooperative Liquid Assets Securities System ("CLASS"), a cooperative investment pool, established pursuant to General Municipal Law that meets the definition of a 2a7-like pool. In accordance with the provisions of General Municipal Law, Article 3A, CLASS has designated PT Asset Management, a subsidiary of 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. The amount represents the amortized cost of the cooperative shares and is considered to approximate fair value. The Village's position in the pool is equal to the value of the pool shares. Additional information concerning the cooperative is presented in the annual report of CLASS, which may be obtained from Public Trust Advisors, LLC, 999 18th Street, Suite 1230, Denver, CO 80202.

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.

The Village was invested only in the above mentioned obligations and, accordingly, was not exposed to any interest rate or credit risk.

Investments of the Fire Service Awards Program are funds that are held on deposit with a broker. These funds are invested along with the company's other assets in a variety of instruments. All investments are stated at fair value. These amounts are not subject to risk categorization.

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 29, 2016, 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 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 Water and Electric Funds rates for the sale of water and electricity 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 ("FASB") and AICPA Pronouncements*, the Village has deferred the excess of current annual required contributions over the amounts paid for the year ended February 29, 2016. 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 ("NYPSC") for the Electric Fund. The costs to be recovered from the future revenues for the year ended February 29, 2016 were determined as follows:

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

	<u>Water Fund</u>	<u>Electric Fund</u>
Costs excluded from ratemaking policies		
Annual OPEB costs recoverable from rate payers	\$ 443,421	\$ 1,897,283
Costs included in current year rates		
Amount of current year payments	<u>(122,528)</u>	<u>(638,873)</u>
Costs to be recovered from future revenues	320,893	1,258,410
Beginning	<u>2,473,057</u>	<u>9,578,194</u>
Ending	<u>\$ 2,793,950</u>	<u>\$ 10,836,604</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 NYPSC. 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 29, 2016, the Village's regulatory assets and liabilities, as reported in the Electric Fund, were \$73,353 and \$6,555,370, 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 estimated fair market value at the date of donation.

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).

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 29, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

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
Infrastructure	25-50
Intangible – Software	5

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 one dollar. 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 NYPSC.

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

In accordance with NYPSC 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 accumulate depreciation for the costs of materials salvaged; and (d) an increase to the account for the minimal amount of cash receipts received.

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 \$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 financial position will sometimes report a separate section for deferred outflows of resources. This separate

Note 1 - Summary of Significant Accounting Policies (Continued)

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 financial 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 \$293,891 and \$1,807,834 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 \$511,790 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 obligations. These amounts are detailed in the discussion of the Village's pension plans in Note 3F.

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 statement as current and long-term liabilities. A liability for these amounts is reported in the governmental funds only if the liability 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

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

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 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.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

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 February 21, 2017.

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.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2016

Note 2 - Stewardship, Compliance and Accountability (Continued)

- 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 2016 fiscal year was \$74,922,339 which exceeded the actual levy, after exclusions by \$41,724,906.

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

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

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2016

Note 2 - Stewardship, Compliance and Accountability (Continued)

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 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. Capital Projects Fund Project Deficits

The unassigned deficit in the Capital Projects Fund of \$1,424,768 arise because of the application of generally accepted accounting principles to the financial reporting of such funds. The proceeds of bond anticipation notes issued to finance construction of capital projects are not recognized as an "other financing source". Liabilities for bond anticipation notes are accounted for in the Capital Projects Fund. Bond anticipation notes are recognized as revenue only to the extent that they are redeemed. These deficits will be reduced and eliminated as bond anticipation notes are redeemed from interfund transfers from other governmental funds or converted to permanent financing.

D. Expenditures in Excess of Budget

The following categories of expenditures exceeded their budgetary provisions by the amounts indicated:

General Fund	
General Government Support	
Unallocated insurance	\$ 103,209
Employee Benefits	
Hospital and medical insurance	25,697
Debt Service	
Principal - serial bonds	4,990

E. Prior Period Adjustment

The Village, during the 2015-16 fiscal year, determined that Workers' Compensation liabilities had been incorrectly calculated in the government-wide statement of net position. As a result, a prior period adjustment in the amount of \$9,018,295 was required.

F. Cumulative Effect of Change in Accounting Principle

For the year ended February 29, 2016, the Village implemented 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". These statements seek to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows/inflows of

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2016

Note 2 - Stewardship, Compliance and Accountability (Continued)

resources and expenses/expenditures. These statements also require the identification of the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actual present value and attribute that present value to the periods of employee service. As a result of adopting these standards, the government-wide financial statements reflect a cumulative effect for the change in accounting principle of \$1,999,383 for the governmental activities and \$(87,409) for business-type activities.

G. 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.

Note 3 - Detailed Notes on All Funds

A. Due From/To Other Funds

The balances reflected as due from/to other funds at February 29, 2016 were as follows:

	<u>Due From</u>	<u>Due To</u>
Governmental Activities		
General	\$ 1,384,866	\$ 1,390,545
Capital Projects	839,270	519,834
Business-type Activities		
Water	522,606	217,026
Electric	597,963	1,217,300
	<u>\$ 3,344,705</u>	<u>\$ 3,344,705</u>

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.

B. Capital Assets

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

<u>Class</u>	<u>Balance March 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance February 29, 2016</u>
Governmental Activities:				
Capital Assets, not being depreciated				
Land	\$ 3,564,750	\$ -	\$ -	\$ 3,564,750
Construction-in-progress	469,398	63,017	469,398	63,017
Total Capital Assets, not being depreciated	<u>\$ 4,034,148</u>	<u>\$ 63,017</u>	<u>\$ 469,398</u>	<u>\$ 3,627,767</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2016

Note 3 - Detailed Notes on All Funds (Continued)

Class	Balance March 1, 2015	Additions	Deletions	Balance February 29, 2016
Capital Assets, being depreciated				
Buildings	\$ 13,745,461	\$ 53,328	\$ -	\$ 13,798,789
Improvements Other Than Buildings	16,628,905	1,290,009	-	17,918,914
Machinery and Equipment	14,410,737	1,202,013	456,577	15,156,173
Intangibles - software	1,212,618	32,537	-	1,245,155
Infrastructure	69,476,206	2,557,240	-	72,033,446
Total Capital Assets, being depreciated	115,473,927	5,135,127	456,577	120,152,477
Less Accumulated Depreciation for				
Buildings	7,835,690	406,062	-	8,241,752
Improvements Other Than Buildings	9,157,986	670,263	-	9,828,249
Machinery and Equipment	11,359,318	689,667	456,577	11,592,408
Intangibles - software	403,787	119,591	-	523,378
Infrastructure	36,015,942	2,173,726	-	38,189,668
Total Accumulated Depreciation	64,772,723	4,059,309	456,577	68,375,455
Total Capital Assets, being depreciated, net	\$ 50,701,204	\$ 1,075,818	\$ -	\$ 51,777,022
Governmental Capital Assets, net	\$ 54,735,352	\$ 1,138,835	\$ 469,398	\$ 55,404,789
Class	Balance March 1, 2015	Additions	Deletions	Balance February 29, 2016
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	2,003,967	8,659	-	2,012,626
Machinery and Equipment	855,537	-	-	855,537
Infrastructure	19,685,634	-	-	19,685,634
Total Capital Assets, being depreciated	31,992,213	8,659	-	32,000,872
Less Accumulated Depreciation for				
Buildings	2,044,528	184,977	-	2,229,505
Improvements Other Than Buildings	783,045	100,307	-	883,352
Machinery and Equipment	782,059	14,771	-	796,830
Infrastructure	10,289,141	451,582	-	10,740,723
Total Accumulated Depreciation	13,898,773	751,637	-	14,650,410
Total Capital Assets, being depreciated, net	\$ 18,093,440	\$ (742,978)	\$ -	\$ 17,350,462
Water Fund Capital Assets, net	\$ 18,179,421	\$ (742,978)	\$ -	\$ 17,436,443

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2016

Note 3 - Detailed Notes on All Funds (Continued)

Class	Balance March 1, 2015	Additions	Deletions	Balance February 29, 2016
Electric Fund				
Capital Assets, not being depreciated				
Land	\$ 84,239	\$ -	\$ -	\$ 84,239
Construction-in-progress	23,631	128,792	-	152,423
	<u>107,870</u>	<u>128,792</u>	<u>-</u>	<u>236,662</u>
Total Capital Assets, not being depreciated				
	<u>\$ 107,870</u>	<u>\$ 128,792</u>	<u>\$ -</u>	<u>\$ 236,662</u>
Capital Assets, being depreciated				
Buildings	\$ 11,832,927	\$ -	\$ -	\$ 11,832,927
Machinery and Equipment	106,395,902	941,655	118,974	107,218,583
	<u>118,228,829</u>	<u>941,655</u>	<u>118,974</u>	<u>119,051,510</u>
Total Capital Assets, being depreciated				
	<u>118,228,829</u>	<u>941,655</u>	<u>118,974</u>	<u>119,051,510</u>
Less Accumulated Depreciation for				
Buildings	6,042,727	93,570	-	6,136,297
Machinery and Equipment	45,947,068	2,914,057	118,974	48,742,151
	<u>51,989,795</u>	<u>3,007,627</u>	<u>118,974</u>	<u>54,878,448</u>
Total Accumulated Depreciation				
	<u>51,989,795</u>	<u>3,007,627</u>	<u>118,974</u>	<u>54,878,448</u>
Total Capital Assets, being depreciated, net				
	<u>\$ 66,239,034</u>	<u>\$ (2,065,972)</u>	<u>\$ -</u>	<u>\$ 64,173,062</u>
Electric Fund				
Capital Assets, net	<u>\$ 66,346,904</u>	<u>\$ (1,937,180)</u>	<u>\$ -</u>	<u>\$ 64,409,724</u>

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

Governmental Activities:	
General Government Support	\$ 174,550
Public Safety	624,728
Transportation	1,878,648
Culture and Recreation	723,775
Home and Community Services	<u>657,608</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 4,059,309</u>
Business-Type Activities:	
Water Fund	\$ 751,637
Electric Fund	<u>3,007,627</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 3,759,264</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2016

Note 3 - Detailed Notes on All Funds (Continued)

C. Accrued Liabilities

Accrued liabilities at February 29, 2016 were as follows:

	Governmental Activities	Business- Type Activities	Total
Payroll and employee benefits	\$ 282,000	\$ -	\$ 282,000
Other	279,646	17,212	296,858
Total Accrued Liabilities	\$ 561,646	\$ 17,212	\$ 578,858

D. Length of Service Awards Programs

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 Service Awards Program ("Program") for volunteer firefighters. The plan took effect on January 1, 1996. 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 Agency Fund. Active volunteer firefighters, upon attainment of age 18, and upon earning 50 or more points in a calendar year after 1990 under the provisions of the Program point system, and who have completed one year of firefighting service are eligible to become participants in 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 65 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's Board, are authorized to invest the funds in authorized investment vehicles. Administrative costs are paid by the Village from the General Fund.

Current membership in the Program is comprised of the following at December 31, 2015:

<u>Group</u>	
Active	276
Inactive/terminated non-vested	35
Terminated members entitled to but not yet receiving benefits	106

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2016

Note 3 - Detailed Notes on All Funds (Continued)

The Village is required to contribute the amounts necessary to finance the plan as actuarially determined using the attained age normal frozen initial liability cost method. The net pension obligation is not amortized on a separate basis. The assumed investment rate of return is 5.5% and there are no cost of living adjustments.

Program Financial Condition

Assets and Liabilities

Actuarial Accrued Liability as of December 31, 2015		\$ 6,867,786
Less: Assets Available for Benefits		
	<u>% of Total</u>	
Cash and equivalents	2.9%	\$ 144,969
Fixed income	46.5%	2,297,988
Mixed assets	19.6%	971,750
US equities	15.6%	773,018
International equities	15.4%	<u>764,719</u>
		4,952,444
Plus interest receivable and benefits payable		<u>21,532</u>
Total Net Position		<u>4,973,976</u>
Total Unfunded Benefits		<u>\$ (1,893,810)</u>

Receipts and Disbursements

Plan Net Position, Beginning of Year	\$ 5,125,425
Changes during the year:	
Sponsor contributions	341,991
Interest and dividend income	164,845
Net decrease in fair value of investments	(359,946)
Change in investment income receivable	(90)
Benefits paid	(263,000)
Investment expense	(37,720)
Change in benefits payable	4,200
Administrative fees	<u>(1,729)</u>
Plan Net Position, End of Year	<u>\$ 4,973,976</u>

Contributions

Amount of sponsor's contribution recommended by actuary	\$ 360,385
Amount of sponsor's actual contribution	348,091

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2016

Note 3 - Detailed Notes on All Funds (Continued)

Funding Methodology and Actual Assumptions

Normal Costs

The actual valuation methodology used by the actuary to determine the sponsor's contribution is attained age normal cost method. Under the attained age normal cost method, there are two components to the annual contribution each year. The first component, the normal cost, is equal to the level annual payment required to fund the current participant's projected benefits based on their service credit earned after the effective date of the Program and before Entitlement Age. The second component, the annual amortization cost, equals the level annual payments required to fund the participant benefits over the amortization periods based on (1) service credit earned before the effective date of the program (2) service credit earned after attainment of the entitlement age and (3) after unfunded accrued liability. Under the attained age normal cost method, the unfunded accrued liability is calculated using the unit credit cost method. All other calculations proceed in a similar manner to the Frozen Initial Liability Cost Method. The assumptions used by the actuary to determine the sponsor's contribution and the actuarial present value of benefits are:

Assumed rate of return on investment	5.50%
Mortality Tables used for Post entitlement age mortality	1994 Uninsured Pensioner Male Mortality Table projected with scale AA to 2007

E. 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, 2015	New Issues	Redemptions	Balance at February 29, 2016
Governmental Funds							
Installation of storm water treatment devices	5/05/2015	5/04/2016	0.53 %	\$ 435,000	\$ -	\$ 30,000	\$ 405,000
Various public improvements	5/05/2015	5/04/2016	0.53	90,000	-	45,000	45,000
Purchase of replacement motor vehicles and equipment	5/05/2015	5/04/2016	0.53	1,050,000	-	345,000	705,000
Reconstruction and repaving of roads including reconstruction and replacement of water mains and sewer lines	5/05/2015	5/04/2016	0.53	2,649,500	1,351,000	1,660,000	2,340,500
Rehabilitation, renovation, improvement and equipping of fire department buildings and facilities	2/09/2016	2/08/2017	1.50	300,000	-	100,000	200,000
Acquisition and installation of multiple space parking meters	2/10/2015	2/10/2016	1.50	65,000	-	20,000	45,000
Acquisition, programming and installation of radio equipment	2/10/2015	2/10/2016	1.50	60,000	-	30,000	30,000
Acquisition and installation of police cameras and license plate readers	2/10/2015	2/10/2016	1.25	255,000	-	-	255,000
Various public improvements	2/10/2015	2/10/2016	1.25	272,000	-	-	272,000
Construction or replacement of the bulkhead at Water Front park	5/05/2015	5/04/2016	0.53	-	1,000,000	-	1,000,000
Total				<u>\$ 5,176,500</u>	<u>\$ 2,351,000</u>	<u>\$ 2,230,000</u>	<u>\$ 5,297,500</u>
Business-type Activities - Water Fund							
Reconstruction and repaving of roads including the reconstruction and replacement of water and sewer lines	5/05/2015	5/04/2016	0.53 %	\$ 136,500	\$ -	\$ 10,000	\$ 126,500
Business-type Activities - Electric Fund							
Purchase of two bucket trucks	2/09/2016	5/04/2016	1.08 %	\$ -	\$ 465,000	\$ -	\$ 465,000

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2016

Note 3 - Detailed Notes on All Funds (Continued)

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 \$61,956 was recorded in the General Fund and the Government-wide financial statements for governmental activities. Interest expense of \$559 was recorded in the Water Fund.

F. Long-Term Liabilities

The following table summarizes changes in the Village's long-term indebtedness for the year ended February 29, 2016:

	Balance March 1, 2015	Prior Period Adjustment	Cumulative Effect of Change in Accounting Principle	Balance March 1, 2015, as Restated(1)	New Issues/ Additions	Maturities and/or Payments	Balance February 29, 2016	Due Within One-Year
Governmental Activities								
Bonds payable	\$ 48,542,143	\$ -	\$ -	\$ 48,542,143	\$ 4,186,610	\$ 9,727,484	\$ 43,001,269	\$ 5,813,809
Unamortized premium on bonds	571,373	-	-	571,373	111,335	147,538	535,170	-
	<u>49,113,516</u>	<u>-</u>	<u>-</u>	<u>49,113,516</u>	<u>4,297,945</u>	<u>9,875,022</u>	<u>43,536,439</u>	<u>5,813,809</u>
Bond anticipation notes payable	3,770,000	-	-	3,770,000	1,700,000	100,000	5,370,000	5,370,000
Claims payable	1,114,203	9,018,295	-	10,132,498	1,822,970	2,245,840	9,709,628	971,000
Tax certiorari payable	4,720,618	-	-	4,720,618	-	2,335,250	2,385,368	238,000
Compensated absences	19,328,659	-	-	19,328,659	1,932,000	1,478,638	19,782,021	1,978,000
Pension obligations	5,002,766	-	-	5,002,766	682,038	654,355	5,030,439	645,703
Net pension liability	-	-	3,224,818	3,224,818	-	950,741	2,274,077	-
Other post employment benefit obligations payable	40,273,891	-	-	40,273,891	7,108,638	2,437,760	44,944,769	-
Governmental Activities Long-Term Liabilities	<u>\$ 123,323,643</u>	<u>\$ 9,018,295</u>	<u>\$ 3,224,818</u>	<u>\$ 135,566,756</u>	<u>\$ 17,543,591</u>	<u>\$ 20,077,606</u>	<u>\$ 133,032,741</u>	<u>\$ 15,016,512</u>
Business-Type Activities								
Bonds payable	\$ 66,502,857	\$ -	\$ -	\$ 66,502,857	\$ 4,203,390	\$ 8,837,515	\$ 61,868,732	\$ 4,546,191
Unamortized premium on bonds	2,413,857	-	-	2,413,857	111,782	160,930	2,364,709	-
	<u>68,916,714</u>	<u>-</u>	<u>-</u>	<u>68,916,714</u>	<u>4,315,172</u>	<u>8,998,445</u>	<u>64,233,441</u>	<u>4,546,191</u>
Compensated absences	2,933,049	-	-	2,933,049	497,602	293,000	3,137,651	314,000
Pension obligations	1,699,959	-	-	1,699,959	276,716	180,741	1,795,934	209,418
Net pension liability	-	-	1,489,377	1,489,377	-	366,739	1,122,638	-
Other post employment benefit obligations payable	12,051,251	-	-	12,051,251	2,340,704	781,401	13,630,554	-
Business - Type Activities Long-Term Liabilities	<u>\$ 85,600,973</u>	<u>\$ -</u>	<u>\$ 1,489,377</u>	<u>\$ 87,090,350</u>	<u>\$ 7,430,194</u>	<u>\$ 10,600,326</u>	<u>\$ 83,920,218</u>	<u>\$ 5,069,609</u>

(1) See Prior Period Adjustment Note 2E and Cumulative Effect of Change in Accounting Principle Note 2F.

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 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 29, 2016**

Note 3 - Detailed Notes on All Funds (Continued)

Bonds Payable

Bonds payable at February 29, 2016 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	3.375-5.000 %	\$ 861,000	\$ 283,000	\$ 2,876,000	\$ 4,020,000
2006 Tax certioraris	2006	1,000,000	08/01/2016	4.500	125,000	-	-	125,000
2008 Series A	2008	23,693,927	05/01/2025	4.000-4.250	11,742,747	885,088	3,692,165	16,320,000
2009 Series B	2008	2,715,000	05/01/2023	5.750-5.875	-	-	1,770,000	1,770,000
2008 Series C	2008	3,515,000	10/15/2028	4.750-5.000	1,797,992	-	932,008	2,730,000
2011 Series A	2011	4,680,000	05/01/2022	3.000-3.625	2,585,000	655,000	-	3,240,000
2011 Series A - Refunding	2011	4,565,000	03/15/2018	1.500-2.250	1,515,221	289,630	70,150	1,875,001
2011 Series B - Refunding	2011	8,350,000	08/01/2024	1.500-4.000	3,694,218	1,419,635	1,031,147	6,145,000
2012 Series A - Refunding	2012	48,680,000	01/15/2032	2.000-5.000	375,000	-	41,615,000	41,990,000
2013 Series A	2013	5,965,000	05/01/2022	1.000-2.000	4,790,000	-	-	4,790,000
2014 Series A	2014	6,925,000	05/02/2028	2.000-3.000	5,490,000	1,045,000	-	6,535,000
2014 Series A - Refunding	2014	8,490,000	05/03/2024	2.000-5.000	5,843,471	950,893	155,636	6,950,000
2015 Series A - Refunding	2015	8,390,000	02/28/2026	1.000 - 4.000	4,181,620	3,955,862	242,518	8,380,000
					<u>\$ 43,001,269</u>	<u>\$ 9,484,108</u>	<u>\$ 52,384,624</u>	<u>\$ 104,870,001</u>

Interest expenditures/expense of \$4,186,729 was recorded in the fund financial statements, as detailed below. Interest expense of \$1,599,117 was recorded in the government-wide financial statements for governmental activities.

<u>Fund</u>	<u>Amount</u>
Governmental Funds - General	\$ 1,610,713
Proprietary Funds	
Water	298,252
Electric	2,277,764
	<u>\$ 4,186,729</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, 2015	New Issues	Redemptions	Balance February 29, 2016
Tax certiorari/claims and judgments	5/05/2015	5/04/2016	0.53 %	\$ 920,000	\$ -	\$ 100,000	\$ 820,000
Tax certiorari/claims and judgments	5/06/2015	5/05/2016	0.53	1,150,000	-	-	1,150,000
Tax certiorari/claims and judgments	5/07/2015	5/06/2016	0.53	1,700,000	-	-	1,700,000
Tax certiorari/claims and judgments	2/09/2016	5/04/2016	1.08	-	1,700,000	-	1,700,000
Total				<u>\$ 3,770,000</u>	<u>\$ 1,700,000</u>	<u>\$ 100,000</u>	<u>\$ 5,370,000</u>

The Village, pursuant to GASB guidance, has not recorded these liabilities in the fund financial statements since it has demonstrated 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 \$9,006 was recorded in the fund financial statements in the General Fund and the government-wide financial statements for governmental activities.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2016

Note 3 - Detailed Notes on All Funds (Continued)

Payments to Maturity

The annual requirements to amortize all bonded debt outstanding as of February 29, 2016, including interest payments of \$23,840,123 are as follows:

Year Ending February 29,	Governmental Activities			
	Bonds Payable		Bond Anticipation Notes Payable	
	Principal	Interest	Principal	Interest
2017	\$ 5,813,809	\$ 1,244,372	\$ 5,370,000	\$ 7,115
2018	5,553,300	1,063,129	-	-
2019	5,544,458	891,464	-	-
2020	3,861,193	748,146	-	-
2021	3,977,614	638,959	-	-
2022-2026	16,567,425	1,516,119	-	-
2027-2031	1,683,470	101,735	-	-
2032	-	-	-	-
	<u>\$ 43,001,269</u>	<u>\$ 6,203,924</u>	<u>\$ 5,370,000</u>	<u>\$ 7,115</u>

Year Ending February 29,	Business-Type Activities			
	Water Fund		Electric Fund	
	Bonds Payable		Bonds Payable	
	Principal	Interest	Principal	Interest
2017	\$ 1,134,608	\$ 165,635	\$ 3,411,583	\$ 2,131,624
2018	1,173,968	141,034	3,592,731	1,968,567
2019	1,187,734	116,158	3,767,810	1,797,627
2020	882,695	96,266	2,816,110	1,640,723
2021	899,821	80,697	2,957,566	1,504,680
2022-2026	4,035,282	168,273	16,502,294	5,312,172
2027-2031	170,000	4,950	15,836,530	2,369,865
2032	-	-	3,500,000	130,813
	<u>\$ 9,484,108</u>	<u>\$ 773,013</u>	<u>\$ 52,384,624</u>	<u>\$ 16,856,071</u>

Total		
Year Ending February 29,	Principal	Interest
2017	\$ 15,730,000	\$ 3,548,746
2018	10,319,999	3,172,730
2019	10,500,002	2,805,249
2020	7,559,998	2,485,135
2021	7,835,001	2,224,336
2022-2026	37,105,001	6,996,564
2027-2031	17,690,000	2,476,550
2032	3,500,000	130,813
	<u>\$ 110,240,001</u>	<u>\$ 23,840,123</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 29, 2016

Note 3 - Detailed Notes on All Funds (Continued)

The above general obligation bonds, bond anticipation notes and loans 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.

Advance Refunding

During the 2016 fiscal year, the Village issued \$4,186,610 in the General Fund, \$3,960,583 in the Water Fund and \$242,807 in the Electric Fund in refunding serial bonds with interest rates ranging from 1.0% to 5.0%, depending on maturity. The proceeds were used to advance refund \$8,640,000 of outstanding 2005A serial bonds bearing interest at a rate ranging from 4.0 – 4.25% (\$4,175,040 in the General Fund, \$4,222,856 in the Water Fund and \$242,104 in the Electric Fund). The net proceeds of \$4,228,227 (including \$111,335 of issuance premium and after \$69,717 in underwriting fees and other issuance costs) in the General Fund, net proceeds of \$4,273,121 (including \$105,325 of issuance premium, \$65,953 in underwriting fees and other issuance costs and \$273,166 in contributions from the Village) in the Water Fund and net proceeds of \$245,221 (including \$6,457 of issuance premium and after \$4,043 in underwriting fees and other issuance costs) in the Electric Fund were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the 2005A serial bonds are considered defeased and the liability for those serial bonds has been removed from the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$53,187 in the governmental activities, \$50,265 in the Water Fund and \$3,117 in the Electric Fund. These amounts and the premiums are being amortized over the remaining life of the refunded debt. The Village advance refunded the 2005A serial bonds to reduce its total debt service payments over 10 years by \$1,161,338 and to obtain a net present value economic gain of \$997,719. As of February 29, 2016, the refunded bonds have been called and are no longer outstanding.

Prior-Year Defeasance of Debt

In prior years the Village defeased general obligations serial bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. As of February 29, 2016, the refunded bonds have been called and are no longer outstanding.

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.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2016

Note 3 - Detailed Notes on All Funds (Continued)

An analysis of the unpaid claim liabilities is as follows:

	Workers' Compensation Benefits		General Liability	
	2016	2015	2016	2015
Balance - Beginning of Year	\$ 422,764	\$ 862,832	\$ 691,439	\$ 5,458,107
Provision for Claims and Claims Adjustment Expenses	684,047	1,039,562	1,138,923	-
Claims and Claims Adjustment Expenses Paid	(1,247,500)	(1,479,630)	(998,340)	(4,766,668)
Prior Period Adjustment	9,018,295	-	-	-
Balance - End of Year	<u>\$ 8,877,606</u>	<u>\$ 422,764</u>	<u>\$ 832,022</u>	<u>\$ 691,439</u>
Due Within One Year	<u>\$ 888,000</u>	<u>\$ 42,000</u>	<u>\$ 83,000</u>	<u>\$ 69,000</u>

This amount has been recorded as an expense and liability in the government-wide financial statements. Claims payable also includes an estimated liability of \$2,385,368 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.

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 29, 2016, the value of accumulated vacation time and sick leave for governmental and business-type activities was \$22,919,672.

Pension Obligations

The ERS and PFRS charges to participating governments increased significantly in 2003. Consequently, the State Legislature enacted legislation in 2003 and 2004 that authorized local governments to amortize a portion of their respective contributions due in 2004, 2005 and 2006 and pay each of these obligations over a ten year period with interest at 5% per annum. The Village elected to amortize the maximum allowable ERS and PFRS contributions for each respective year as noted in the table below.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2016

Note 3 - Detailed Notes on All Funds (Continued)

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.

	Original Amount Amortized	Current Year Payments	Balance Due	Due Within One Year
2006 ERS	\$ 35,654	\$ 9,576	\$ -	\$ -
2006 PFRS	298,834	80,261	-	-
2007 PFRS	363,562	76,167	79,974	79,974
2011 ERS	219,327	23,026	133,595	24,177
2012 ERS	810,977	76,313	521,878	79,175
2012 PFRS	473,278	44,536	304,562	46,206
2013 ERS	1,066,045	98,655	778,617	101,614
2013 PFRS	745,692	69,008	544,639	71,079
2014 ERS	1,498,544	131,389	1,240,418	136,211
2014 PFRS	1,247,658	109,392	1,032,747	113,406
2015 ERS	658,090	57,010	601,080	58,806
2015 PFRS	689,872	59,763	630,109	61,646
2016 ERS	596,628	-	596,628	51,543
2016 PFRS	362,126	-	362,126	31,284
	<u>\$ 9,066,287</u>	<u>\$ 835,096</u>	<u>\$ 6,826,373</u>	<u>\$ 855,121</u>

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

Fund	ERS	PFRS	Total
General	\$ 215,227	\$ 439,127	\$ 654,354
Water	33,578	-	33,578
Electric	147,164	-	147,164
	<u>\$ 395,969</u>	<u>\$ 439,127</u>	<u>\$ 835,096</u>

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

Note 3 - Detailed Notes on All Funds (Continued)

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 2016 are as follows:

	<u>Tier/Plan</u>	<u>Rate</u>
ERS	2 75I	23.1 %
	3 A14	18.8
	4 A15	18.8
	5 A15	15.5
	6 A15	10.5
PFRS	2 384E	25.1 %
	5 384E	20.4/23.9
	6 384E	14.5

At February 29, 2016, the Village reported a liability of \$1,297,884 and \$1,122,638 for its proportionate shares of the net pension liabilities of ERS in the governmental and business-type activities, respectively, and a liability of \$976,193 for its proportionate share of the net pension liability of PFRS. The net pension liability was measured as of March 31, 2015, 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, 2015, the Village’s proportion was 0.0716503% for ERS and .3546445% for PFRS. For this first year of implementation, the System reported no change in the allocation percentage measured as of March 31, 2014.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2016

Note 3 - Detailed Notes on All Funds (Continued)

For the year ended February 29, 2016, the Village recognized pension expense in the government-wide financial statements of \$1,040,113 and \$1,108,774 for ERS in the governmental activities and business-type activities, respectively, and \$2,396,333 for PFRS. Pension expenditures inclusive of pension obligations of \$3,204,478 for ERS and \$3,795,666 for PFRS were recorded in the fund financial statements and were charged to the following funds:

	<u>ERS</u>	<u>PFRS</u>
General Fund	\$ 1,659,791	\$ 3,795,666
Enterprise Fund - Water	282,972	-
Enterprise Fund - Electric	1,261,715	-
	<u>\$ 3,204,478</u>	<u>\$ 3,795,666</u>

At February 29, 2016, 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	\$ 39,441	\$ -	\$ 38,043	\$ -
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	213,998	-	206,416	-
Changes in proportion and differences between Village contributions and proportionate share of contributions	-	206,847	-	178,917
Village contributions subsequent to the measurement date	1,460,333	-	1,408,601	-
	<u>\$ 1,713,772</u>	<u>\$ 206,847</u>	<u>\$ 1,653,060</u>	<u>\$ 178,917</u>
	 <u>PFRS - Governmental Activities</u> <u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$ 117,723			
Changes of assumptions	-			
Net difference between projected and actual earnings on pension plan investments	327,740			
Changes in proportion and differences between Village contributions and proportionate share of contributions	525,920			
Village contributions subsequent to the measurement date	3,284,369			
	<u>\$ 4,255,752</u>			

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 29, 2016

Note 3 - Detailed Notes on All Funds (Continued)

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 year ended March 31, 2016. 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:

<u>Year Ended</u> <u>March 31,</u>	<u>ERS</u> <u>Governmental</u> <u>Activities</u>	<u>ERS</u> <u>Business-type</u> <u>Activities</u>	<u>PFRS</u>
2016	\$ 11,648	\$ 16,385	\$ 210,664
2017	11,648	16,385	210,664
2018	11,648	16,385	210,664
2019	11,648	16,387	210,664
2020	-	-	128,727

The total pension liability for the March 31, 2015 measurement date was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liabilities to March 31, 2015. The total pension liabilities for the March 31, 2014 measurement date were determined by using an actuarial valuation as of April 1, 2014. Significant actuarial assumptions used in the April 1, 2014 valuation were as follows:

Actuarial cost method	Entry age normal
Inflation	2.7%
Salary scale	4.9% in ERS, 6.0% in PFRS indexed by service
Investment rate of return	7.5% compounded annually, net of investment expenses, including inflation
Cost of living adjustments	1.4% annually

Annuitant mortality rates are based on the April 1, 2005 – March 31, 2010 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

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.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 29, 2016

Note 3 - Detailed Notes on All Funds (Continued)

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38 %	7.30 %
International Equity	13	8.55
Private Equity	10	11.00
Real Estate	8	8.25
Absolute Return Strategies	3	6.75
Opportunistic Portfolio	3	8.60
Real Assets	3	8.65
Bonds and Mortgages	18	4.00
Cash	2	2.25
Inflation Indexed Bonds	<u>2</u>	4.00
	<u>100 %</u>	

The discount rate used to calculate the total pension liability was 7.5%. 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 7.5%, 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 (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Assumption (7.5%)</u>	<u>1% Increase (8.5%)</u>
Governmental Activities proportionate share of the ERS net pension liability (asset)	<u>\$ 8,650,958</u>	<u>\$ 1,297,884</u>	<u>\$ (4,909,934)</u>
Business-type Activities proportionate share of the ERS net pension liability (asset)	<u>\$ 7,482,868</u>	<u>\$ 1,122,638</u>	<u>\$ (4,246,973)</u>
Village's proportionate share of the PFRS net pension liability (asset)	<u>\$ 12,997,498</u>	<u>\$ 976,193</u>	<u>\$ (9,098,386)</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2016

Note 3 - Detailed Notes on All Funds (Continued)

The components of the collective net pension liability as of the March 31, 2016 measurement date were as follows:

	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
Total pension liability	\$ 164,591,504,000	\$ 28,474,417,000	\$ 193,065,921,000
Fiduciary net position	<u>161,213,259,000</u>	<u>28,199,157,000</u>	<u>189,412,416,000</u>
Employers' net pension liability	<u>\$ 3,378,245,000</u>	<u>\$ 275,260,000</u>	<u>\$ 3,653,505,000</u>
Fiduciary net position as a percentage of total pension liability	<u>97.9%</u>	<u>99.0%</u>	<u>98.1%</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 29, 2016 represent the employer contribution for the period of April 1, 2015 through February 29, 2016 based on paid ERS and PFRS wages multiplied by the employers' contribution rate, by tier.

Voluntary Defined Contribution Plan

The Village also offers 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.

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 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.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
 February 29, 2016

Note 3 - Detailed Notes on All Funds (Continued)

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 February 28,</u>	<u>Pre- 65 Rate</u>
2017	6.00 %
2018+	5.00

The amortization basis is the level percentage of payroll method with an open amortization approach with 22 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.

The number of participants as of February 29, 2016 was as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>		<u>Total</u>
		<u>Water Fund</u>	<u>Electric Fund</u>	
Active Employees	226	15	65	306
Retired Employees	192	9	47	248
	<u>418</u>	<u>24</u>	<u>112</u>	<u>554</u>

Incorporated Village of Freeport, New York

**Notes to Financial Statements (Continued)
February 29, 2016**

Note 3 - Detailed Notes on All Funds (Continued)

	Governmental Funds	Business-type Activities		Total
		Water Funds	Electric Funds	
Amortization Component:				
Actuarial Accrued Liability as of March 1, 2015	\$ 101,437,622	\$ 6,658,613	\$ 26,570,803	\$ 134,667,038
Assets at Market Value	-	-	-	-
Unfunded Actuarial Accrued Liability	<u>\$ 101,437,622</u>	<u>\$ 6,658,613</u>	<u>\$ 26,570,803</u>	<u>\$ 134,667,038</u>
Covered Payroll (active plan members)	<u>\$ 25,492,684</u>	<u>\$ 1,374,036</u>	<u>\$ 6,291,056</u>	<u>\$ 33,157,776</u>
UAAL as a Percentage of Covered Payroll	<u>397.91%</u>	<u>484.60%</u>	<u>422.36%</u>	<u>406.14%</u>
Annual Required Contribution	\$ 7,525,409	\$ 469,013	\$ 1,996,402	\$ 9,990,824
Interest on OPEB obligation	1,610,956	98,922	383,128	2,093,006
Adjustment to Annual Required Contribution	<u>(2,027,727)</u>	<u>(124,514)</u>	<u>(482,247)</u>	<u>(2,634,488)</u>
Annual OPEB Cost	7,108,638	443,421	1,897,283	9,449,342
Contributions Made	<u>(2,437,760)</u>	<u>(122,528)</u>	<u>(638,873)</u>	<u>(3,199,161)</u>
Increase in Net OPEB Cost	4,670,878	320,893	1,258,410	6,250,181
Net OPEB Cost at February 28, 2015	<u>40,273,891</u>	<u>2,473,057</u>	<u>9,578,194</u>	<u>52,325,142</u>
Net OPEB Cost at February 28, 2016	<u>\$ 44,944,769</u>	<u>\$ 2,793,950</u>	<u>\$ 10,836,604</u>	<u>\$ 58,575,323</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 preceding year is as follows:

Fiscal Year Ended February 28,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 9,449,342	33.86 %	\$ 58,575,323
2015	9,458,078	40.06	52,325,142
2014	11,185,294	29.65	46,398,995

G. 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 29, 2016 were \$ 1,344,150 and \$3,797,000, respectively.

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:

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 29, 2016

Note 3 - Detailed Notes on All Funds (Continued)

<u>Transfers Out</u>	<u>Transfers In</u>		<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	
General Fund	\$ -	2,230,000	\$ 2,230,000
Capital Projects Fund	1,697,495	-	1,697,495
	<u>\$ 1,697,495</u>	<u>\$ 2,230,000</u>	<u>\$ 3,927,495</u>

Transfers are used to move funds earmarked in the operating funds to fulfill commitments for Capital Projects Fund expenditures and to move amounts in the Capital Projects Fund to the General Fund as projects with remaining balances are completed.

H. 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 29, 2016

Note 3 - Detailed Notes on All Funds (Continued)

I. Fund Balances

	2016			2015		
	General Fund	Capital Projects Fund	Total	General Fund	Capital Projects Fund	Total
Nonspendable						
Long term receivables	\$ 1,532,386	\$ -	\$ 1,532,386	\$ 1,529,080	\$ -	\$ 1,529,080
Inventories	406,675	-	406,675	379,298	-	379,298
Prepaid expenditures	424,398	-	424,398	368,658	-	368,658
Total Nonspendable	2,363,459	-	2,363,459	2,277,036	-	2,277,036
Restricted						
Debt Service	520,316	-	520,316	481,839	1,659,938	2,141,777
Assigned						
Purchases on order						
General government support	19,336	-	19,336	51,908	-	51,908
Unassigned	7,107,168	(1,424,768)	5,682,400	5,726,180	(2,190,265)	3,535,915
Total Fund Balances	\$ 10,010,279	\$ (1,424,768)	\$ 8,585,511	\$ 8,536,963	\$ (530,327)	\$ 8,006,636

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2016

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.

Long-Term Receivables represents funds set aside to indicate the long term nature of a receivable related to: 1) a sale of real property which is scheduled to be received in fiscal year 2016/2017 and 2) a receivable from a component unit that is not expected to be repaid within one year. The amount is classified as nonspendable to indicate that funds are not "available" for appropriation or expenditure even though they are a component of current assets.

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.

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 transaction.

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

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.

The Village is a defendant in an action brought by a claimant by *Pro Se* alleging that he was falsely arrested by Village Police Officers for public lewdness. Plaintiff alleged racial based discrimination, violation of his civil rights, defamation, slander, false arrest/imprisonment, disruption of family ties/relationships, emotional trauma and lost wages. The Village is actively defending all parties. The matter was appealed to the Second Circuit Court of Appeals. The appeal was decided and the case overturned and remanded back for another trial. No provision of loss has been reflected in the financial statements as the outcome of this case cannot be determined at this time.

B. Risk Management

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

Incorporated Village of Freeport, New York

Notes to Financial Statements (Concluded)
February 29, 2016

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 insurance workers' compensation 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 29, 2016 were \$8,877,606 and \$832,022, respectively.

C. Contingencies

The Village participates in various Federal grant programs. These programs may be subject to program compliance audits pursuant to the Single Audit Act. 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 - Subsequent Events

The Village, on May 3, 2016, issued an \$11,360,000 bond anticipation note to refinance a currently outstanding bond anticipation note in the amount of \$10,729,000 after \$2,419,000 in principal payments and including \$3,050,000 of new money. The note is due on May 3, 2017 with interest at 2.00%.

The Village, on July 6, 2015, issued a \$1,230,000 bond anticipation note to finance various capital improvements and the purchase of equipment. The note is due on May 3, 2017 with interest at 1.24%.

The Village, in July 2016, issued refunding serial bonds in the amount of \$15,080,000, the proceeds of which will be used to retire \$15,660,000 in serial bonds. The refunding bonds mature annually through May 2028 and bear interest at rate ranging from .7-5% depending on maturity.

The Village, on February 7, 2017, issued a \$2,925,500 bond anticipation note to refinance a currently outstanding note in the amount of \$530,000 after \$205,000 in principal payments and including \$2,600,500 in new money. The note is due on May 3, 2017 with interest at 2.00%

In December 2016, the Village accepted the transfer of real property from the Freeport Community Development Agency in order to satisfy an amount due to the Village and classified as due from component unit. In December 2016, the Village entered into an agreement to sell such property, the proceeds of which will be used to complete the satisfaction of the amounts due.

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, 2015	\$ -	\$ 134,667,038	\$ 134,667,038	- %	\$ 33,157,776	406.14 %
March 1, 2014	-	127,726,548	127,726,548	-	35,367,663	361.14
March 1, 2013	-	135,187,754	135,187,754	-	36,417,879	371.21

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>2016</u>
Village's proportion of the net pension liability (asset)	<u>0.0716503%</u>
Village's proportionate share of the net pension liability (asset)	<u>\$ 2,420,522</u>
Village's covered employee payroll	<u>\$ 17,725,671</u>
Village's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	<u>13.66%</u>
Plan fiduciary net position as a percentage of the total pension liability	<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*.

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>2016</u>
Contractually required contribution	\$ 3,023,543
Contributions in relation to the contractually required contribution	<u>(3,023,543)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Village's covered employee payroll	<u>\$ 17,926,137</u>
Contributions as a percentage of covered-employee payroll	<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>2016</u>
Village's proportion of the net pension liability (asset)	<u>0.3546445%</u>
Village's proportionate share of the net pension liability (asset)	<u>\$ 976,193</u>
Village's covered employee payroll	<u>\$ 14,896,653</u>
Village's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	<u>6.55%</u>
Plan fiduciary net position as a percentage of the total pension liability	<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*.

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>2016</u>
Contractually required contribution	\$ 3,840,430
Contributions in relation to the contractually required contribution	<u>(3,840,430)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Village's covered employee payroll	<u>\$ 15,685,066</u>
Contributions as a percentage of covered-employee payroll	<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*.

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Incorporated Village of Freeport, New York

General Fund
Comparative Balance Sheet

	February 29, 2016	February 28, 2015
ASSETS		
Cash and equivalents	\$ 3,664,538	\$ 1,743,960
Investments	5,647,201	5,632,806
Taxes receivable	542,513	623,047
Other receivables		
Accounts, net of allowance for doubtful accounts of \$688,822 in 2016 and \$788,213 in 2015	1,023,673	940,230
State and Federal aid	201,008	174,843
Due from other funds	1,384,866	5,437,310
Due from other governments	330,553	127,412
Due from component unit	1,442,944	1,439,638
	<u>4,383,044</u>	<u>8,119,433</u>
Inventories	406,675	379,298
Prepaid expenditures	424,398	368,658
Total Assets	<u>\$ 15,068,369</u>	<u>\$ 16,867,202</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 2,647,893	\$ 2,427,743
Accrued liabilities	490,765	286,586
Due to other funds	1,390,545	4,929,449
Due to other governments	9,841	9,995
Due to component unit	7,256	82,520
Total Liabilities	4,546,300	7,736,293
Deferred inflows of resources		
Deferred tax revenues	511,790	593,946
Total Liabilities and Deferred Inflows of Resources	<u>5,058,090</u>	<u>8,330,239</u>
Fund balance		
Nonspendable	2,363,459	2,277,036
Restricted	520,316	481,839
Assigned	19,336	51,908
Unassigned	7,107,168	5,726,180
Total Fund Balance	<u>10,010,279</u>	<u>8,536,963</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 15,068,369</u>	<u>\$ 16,867,202</u>

Incorporated Village of Freeport, New York

General Fund
 Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Year Ended

	February 29, 2016			Variance with Final Budget Positive (Negative)
	Original Budget (1)	Final Budget	Actual	
REVENUES				
Real property taxes	\$ 42,588,929	\$ 42,588,929	\$ 42,753,750	\$ 164,821
Other tax items	6,025,317	6,025,317	6,135,403	110,086
Non-property taxes	1,039,000	1,039,000	1,121,448	82,448
Departmental income	7,180,130	7,180,130	7,233,906	53,776
Intergovernmental revenues	75,000	75,000	9,846	(65,154)
Interfund revenues	1,088,000	1,088,000	1,088,000	-
Use of money and property	1,275,021	1,275,021	1,627,723	352,702
Licenses and permits	1,375,638	1,375,638	1,256,807	(118,831)
Fines and forfeitures	1,870,000	1,870,000	2,436,705	566,705
State aid	2,225,133	2,242,133	1,577,623	(664,510)
Federal aid	50,000	50,000	111,664	61,664
Miscellaneous	133,200	290,450	257,820	(32,630)
Total Revenues	64,925,368	65,099,618	65,610,695	511,077
EXPENDITURES				
Current				
General government support	11,689,792	12,060,908	10,838,898	1,222,010
Public safety	20,564,566	21,039,601	20,927,418	112,183
Health	2,800	2,800	2,736	64
Transportation	2,361,252	2,518,252	2,480,581	37,671
Economic opportunity and development	233,417	268,417	266,220	2,197
Culture and recreation	3,432,605	3,432,705	3,312,649	120,056
Home and community services	3,907,082	3,512,082	3,476,807	35,275
Employee benefits	16,749,546	17,710,546	17,727,928	(17,382)
Debt service				
Principal	6,087,674	5,647,674	5,652,444	(4,770)
Interest	1,791,942	1,741,942	1,681,675	60,267
Refunding bond issuance costs	-	69,717	69,717	-
Total Expenditures	66,820,676	68,004,644	66,437,073	1,567,571
Deficiency of Revenues Over Expenditures	(1,895,308)	(2,905,026)	(826,378)	2,078,648
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	450,000	450,000	731,515	281,515
Sale of real property	13,400	13,400	330,966	317,566
Bond anticipation notes issued	1,150,000	2,850,000	1,700,000	(1,150,000)
Refunding bonds issued	-	4,186,610	4,186,610	-
Issuance premium	-	111,335	111,335	-
Payment to refunded bond escrow agent	-	(4,228,227)	(4,228,227)	-
Transfers in	230,000	1,700,000	1,697,495	(2,505)
Transfers out	-	(2,230,000)	(2,230,000)	-
Total Other Financing Sources	1,843,400	2,853,118	2,299,694	(553,424)
Net Change in Fund Balance	(51,908)	(51,908)	1,473,316	1,525,224
FUND BALANCE				
Beginning of Year	51,908	51,908	8,536,963	8,485,055
End of Year	\$ -	\$ -	\$ 10,010,279	\$ 10,010,279

(1) Includes prior year encumbrances of \$51,908.

February 28, 2015

Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 42,657,602	\$ 42,657,602	\$ 42,647,606	\$ (9,996)
6,008,521	6,008,521	5,958,140	(50,381)
979,000	979,000	1,026,869	47,869
7,306,170	7,306,170	7,207,769	(98,401)
3,000	3,000	4,952	1,952
1,088,000	1,088,000	1,088,000	-
1,261,069	1,261,069	1,379,395	118,326
987,000	987,000	1,062,483	75,483
1,800,000	1,800,000	1,504,312	(295,688)
1,500,133	1,500,133	1,476,870	(23,263)
75,000	75,000	138,597	63,597
116,200	116,200	279,042	162,842
<u>63,781,695</u>	<u>63,781,695</u>	<u>63,774,035</u>	<u>(7,660)</u>
11,799,257	14,399,855	13,805,768	594,087
19,593,235	19,599,735	19,528,094	71,641
3,350	3,350	3,216	134
2,462,902	2,561,002	2,489,469	71,533
141,619	141,619	89,867	51,752
3,359,807	3,546,209	3,523,179	23,030
3,889,265	3,445,165	3,424,226	20,939
16,450,102	16,547,302	16,414,226	133,076
5,950,970	5,567,970	5,567,970	-
1,870,264	1,870,264	1,798,219	72,045
-	113,650	113,650	-
<u>65,520,771</u>	<u>67,796,121</u>	<u>66,757,884</u>	<u>1,038,237</u>
<u>(1,739,076)</u>	<u>(4,014,426)</u>	<u>(2,983,849)</u>	<u>1,030,577</u>
450,000	450,000	595,043	145,043
13,400	13,400	357,873	344,473
1,150,000	3,770,000	3,770,000	-
-	7,146,003	7,146,003	-
-	495,410	495,410	-
-	(7,527,763)	(7,527,763)	-
25,000	25,000	34,480	9,480
-	(458,300)	(458,300)	-
<u>1,638,400</u>	<u>3,913,750</u>	<u>4,412,746</u>	<u>498,996</u>
<u>(100,676)</u>	<u>(100,676)</u>	<u>1,428,897</u>	<u>1,529,573</u>
<u>100,676</u>	<u>100,676</u>	<u>7,108,066</u>	<u>7,007,390</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,536,963</u>	<u>\$ 8,536,963</u>

Incorporated Village of Freeport, New York

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget

Year Ended February 29, 2016

(With Comparative Actuals for February 28, 2015)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2015 Actual
PROPERTY TAXES	<u>\$ 42,588,929</u>	<u>\$ 42,588,929</u>	<u>\$ 42,753,750</u>	<u>\$ 164,821</u>	<u>\$ 42,647,606</u>
OTHER TAX ITEMS					
Interest and penalties on real property taxes	325,000	325,000	354,515	29,515	341,920
Payments in lieu of taxes	5,700,317	5,700,317	5,780,888	80,571	5,616,220
	<u>6,025,317</u>	<u>6,025,317</u>	<u>6,135,403</u>	<u>110,086</u>	<u>5,958,140</u>
NON-PROPERTY TAXES					
Non-property tax distribution from County	119,000	119,000	119,088	88	119,088
Utilities gross receipts tax	920,000	920,000	1,002,360	82,360	907,781
	<u>1,039,000</u>	<u>1,039,000</u>	<u>1,121,448</u>	<u>82,448</u>	<u>1,026,869</u>
DEPARTMENTAL INCOME					
Treasurer fees	4,000	4,000	9,713	5,713	7,377
Clerks fees	20,000	20,000	1,471	(18,529)	27,073
Attorney fees	50,000	50,000	32,654	(17,346)	38,543
Fire Department fees	34,000	34,000	34,231	231	59,234
Safety inspection fees	5,500	5,500	7,237	1,737	10,722
Public Works fees	155,610	155,610	71,270	(84,340)	255,842
Parking fees	260,000	260,000	326,531	66,531	306,930
Parking meter fees - non taxable	113,000	113,000	140,609	27,609	114,441
Other economic assistance and opportunity	9,000	9,000	10,000	1,000	12,500
Parks and recreation fees	2,006,830	2,006,830	2,045,655	38,825	1,844,985
Zoning and Appeals Board fees	10,000	10,000	12,395	2,395	15,465
Planning Board fees	12,000	12,000	21,125	9,125	16,240
Garbage fees	4,490,190	4,490,190	4,490,445	255	4,485,333
Sewer rent	5,000	5,000	28,200	23,200	8,864
Board of Architectural Review fees	5,000	5,000	2,370	(2,630)	4,220
	<u>7,180,130</u>	<u>7,180,130</u>	<u>7,233,906</u>	<u>53,776</u>	<u>7,207,769</u>
INTERGOVERNMENTAL REVENUES					
Fire protection	75,000	75,000	9,846	(65,154)	4,952

INTERFUND REVENUES	<u>1,088,000</u>	<u>1,088,000</u>	<u>1,088,000</u>	<u>-</u>	<u>1,088,000</u>
USE OF MONEY AND PROPERTY					
Interest earnings	75,000	75,000	14,393	(60,607)	168,878
Rental income	<u>1,200,021</u>	<u>1,200,021</u>	<u>1,613,330</u>	<u>413,309</u>	<u>1,210,517</u>
	<u>1,275,021</u>	<u>1,275,021</u>	<u>1,627,723</u>	<u>352,702</u>	<u>1,379,395</u>
LICENSES AND PERMITS					
Occupational licenses	150,000	150,000	131,739	(18,261)	153,725
Building permits	574,388	574,388	515,795	(58,593)	543,402
Other permits	<u>651,250</u>	<u>651,250</u>	<u>609,273</u>	<u>(41,977)</u>	<u>365,356</u>
	<u>1,375,638</u>	<u>1,375,638</u>	<u>1,256,807</u>	<u>(118,831)</u>	<u>1,062,483</u>
FINES AND FORFEITURES					
Justice court fines	<u>1,870,000</u>	<u>1,870,000</u>	<u>2,436,705</u>	<u>566,705</u>	<u>1,504,312</u>
STATE AID					
Per capita	901,311	901,311	901,311	-	901,311
Mortgage tax	400,000	400,000	436,745	36,745	397,430
Public safety	840,000	857,000	161,948	(695,052)	71,170
Youth programs	17,000	17,000	-	(17,000)	-
Other	<u>66,822</u>	<u>66,822</u>	<u>77,619</u>	<u>10,797</u>	<u>106,959</u>
	<u>2,225,133</u>	<u>2,242,133</u>	<u>1,577,623</u>	<u>(664,510)</u>	<u>1,476,870</u>
FEDERAL AID					
Emergency Management Agency	50,000	50,000	88,664	38,664	138,597
Community Development Block Grant	<u>-</u>	<u>-</u>	<u>23,000</u>	<u>23,000</u>	<u>-</u>
	<u>50,000</u>	<u>50,000</u>	<u>111,664</u>	<u>61,664</u>	<u>138,597</u>
MISCELLANEOUS					
Refunds of prior year's expenditures	110,000	110,000	94,590	(15,410)	89,613
Local public safety grants	-	157,250	163,180	5,930	185,727
Other	<u>23,200</u>	<u>23,200</u>	<u>50</u>	<u>(23,150)</u>	<u>3,702</u>
	<u>133,200</u>	<u>290,450</u>	<u>257,820</u>	<u>(32,630)</u>	<u>279,042</u>
TOTAL REVENUES	<u>64,925,368</u>	<u>65,099,618</u>	<u>65,610,695</u>	<u>511,077</u>	<u>63,774,035</u>

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Incorporated Village of Freeport, New York

General Fund

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

Year Ended February 29, 2016

(With Comparative Actuals for February 28, 2015)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2015 Actual
OTHER FINANCING SOURCES					
Insurance recoveries	\$ 450,000	\$ 450,000	\$ 731,515	\$ 281,515	\$ 595,043
Sale of real property	13,400	13,400	330,966	317,566	357,873
Bond anticipation notes issued	1,150,000	2,850,000	1,700,000	(1,150,000)	3,770,000
Refunding bonds issued	-	4,186,610	4,186,610	-	7,146,003
Issuance premium	-	111,335	111,335	-	495,410
Transfers in - Capital Projects Fund	230,000	1,700,000	1,697,495	(2,505)	34,480
TOTAL OTHER FINANCING SOURCES	<u>1,843,400</u>	<u>9,311,345</u>	<u>8,757,921</u>	<u>(553,424)</u>	<u>12,398,809</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 66,768,768</u>	<u>\$ 74,410,963</u>	<u>\$ 74,368,616</u>	<u>\$ (42,347)</u>	<u>\$ 76,172,844</u>

Incorporated Village of Freeport, New York

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget

Year Ended February 29, 2016

(With Comparative Actuals for February 28, 2015)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2015 Actual
GENERAL GOVERNMENT SUPPORT					
Village Board	\$ 82,000	\$ 84,815	\$ 81,411	\$ 3,404	\$ 79,161
Village Justices	613,679	613,679	599,290	14,389	587,339
Mayor	332,708	247,708	215,226	32,482	236,893
Comptroller	88,665	88,665	81,015	7,650	66,430
Audit	150,232	125,232	107,560	17,672	103,797
Treasurer	585,868	585,868	519,618	66,250	612,178
Purchasing	454,963	374,963	371,271	3,692	348,844
Assessor	171,258	171,258	150,615	20,643	116,808
Village Clerk	456,524	456,524	437,240	19,284	424,245
Attorney	784,689	734,691	728,222	6,469	731,034
Human resources	464,177	470,677	467,644	3,033	451,614
Elections	50,860	50,860	30,297	20,563	1,469
Public works	1,120,491	1,065,691	1,061,218	4,473	978,546
Public works administration	376,141	376,141	360,966	15,175	323,814
Buildings department	354,521	364,520	357,980	6,540	338,730
Central garage	974,891	974,891	928,983	45,908	936,759
Central data processing	730,625	730,625	641,593	89,032	712,014
Unallocated insurance	490,000	490,000	593,209	(103,209)	523,462
Human services	10,000	10,000	5,367	4,633	7,111
Judgments and claims	1,150,000	2,850,000	2,010,331	839,669	2,856,756
Property loss	850,000	1,050,000	998,340	51,660	3,280,727
Taxes and assessment on property	85,000	91,600	91,502	98	88,037
Contingency	1,312,500	52,500	-	52,500	-
	<u>11,689,792</u>	<u>12,060,908</u>	<u>10,838,898</u>	<u>1,222,010</u>	<u>13,805,768</u>

PUBLIC SAFETY

Police	17,788,349	18,163,599	18,154,741	8,858	16,885,905
Traffic control	68,946	68,946	64,707	4,239	62,270
On-Street parking	86,423	92,023	92,006	17	81,272
Fire	1,201,189	1,240,374	1,172,797	67,577	1,152,497
Control of animals	200	200	-	200	-
Safety inspection	1,303,300	1,358,300	1,341,228	17,072	1,073,806
Disaster related repairs	-	-	-	-	149,320
Other	116,159	116,159	101,939	14,220	123,024
	<u>20,564,566</u>	<u>21,039,601</u>	<u>20,927,418</u>	<u>112,183</u>	<u>19,528,094</u>

HEALTH

Nursing services	<u>2,800</u>	<u>2,800</u>	<u>2,736</u>	<u>64</u>	<u>3,216</u>
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TRANSPORTATION

Administration	2,800	2,800	1,123	1,677	600
Maintenance of streets	709,091	759,091	723,678	35,413	647,228
Snow removal	183,551	269,551	269,265	286	201,367
Street lighting	1,420,310	1,429,310	1,429,258	52	1,441,267
Facilities maintenance	45,500	57,500	57,257	243	199,007
	<u>2,361,252</u>	<u>2,518,252</u>	<u>2,480,581</u>	<u>37,671</u>	<u>2,489,469</u>

ECONOMIC OPPORTUNITY AND DEVELOPMENT

Publicity	155,057	108,057	105,916	2,141	89,867
Materials and supplies	78,360	160,360	160,304	56	-
	<u>233,417</u>	<u>268,417</u>	<u>266,220</u>	<u>2,197</u>	<u>89,867</u>

CULTURE AND RECREATION

Community center	2,885,107	2,885,107	2,827,704	57,403	2,890,408
Arts council	20,000	20,000	20,000	-	20,000
Library	51,700	51,700	22,894	28,806	21,797
Recreation	1,400	1,500	1,405	95	1,368
Tennis	3,000	3,000	-	3,000	-
Playgrounds	471,398	471,398	440,646	30,752	589,606
	<u>3,432,605</u>	<u>3,432,705</u>	<u>3,312,649</u>	<u>120,056</u>	<u>3,523,179</u>

(Continued)

Incorporated Village of Freeport, New York

General Fund

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

Year Ended February 29, 2016

(With Comparative Actuals for February 28, 2015)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2015 Actual
HOME AND COMMUNITY SERVICES					
Zoning	\$ 9,700	\$ 9,700	\$ 7,084	\$ 2,616	\$ 7,571
Planning	17,100	17,100	13,925	3,175	13,296
Sewer administration	1,650	1,650	1,626	24	1,629
Sanitary sewers	263,744	268,544	260,133	8,411	300,918
Refuse and garbage	3,461,679	3,061,679	3,046,284	15,395	2,967,022
Drainage	121,909	121,909	116,271	5,638	125,812
Composting	6,300	6,500	6,484	16	7,978
Other	25,000	25,000	25,000	-	-
	<u>3,907,082</u>	<u>3,512,082</u>	<u>3,476,807</u>	<u>35,275</u>	<u>3,424,226</u>
EMPLOYEE BENEFITS					
Retirement	5,457,963	5,457,963	5,455,457	2,506	4,912,084
Social security	1,865,104	1,797,104	1,796,421	683	1,681,027
Workers' compensation benefits	1,000,000	1,250,000	1,247,500	2,500	1,479,630
Unemployment benefits	40,000	6,000	5,032	968	47,177
Hospital and medical insurance	7,946,000	8,625,000	8,650,697	(25,697)	7,822,728
Union welfare benefits	75,000	75,000	75,000	-	-
Length of service award contributions	341,991	348,991	348,091	900	351,310
Other	23,488	150,488	149,730	758	120,270
	<u>16,749,546</u>	<u>17,710,546</u>	<u>17,727,928</u>	<u>(17,382)</u>	<u>16,414,226</u>
DEBT SERVICE					
Principal					
Serial bonds	5,547,454	5,547,454	5,552,444	(4,990)	5,457,970
Bond anticipation notes	540,220	100,220	100,000	220	110,000
Interest					
Serial bonds	1,666,475	1,666,475	1,610,713	55,762	1,686,449
Bond anticipation notes	125,467	75,467	70,962	4,505	111,770
Refunding bond issuance costs	-	69,717	69,717	-	113,650
	<u>7,879,616</u>	<u>7,459,333</u>	<u>7,403,836</u>	<u>55,497</u>	<u>7,479,839</u>
TOTAL EXPENDITURES	<u>66,820,676</u>	<u>68,004,644</u>	<u>66,437,073</u>	<u>1,567,571</u>	<u>66,757,884</u>

OTHER FINANCING USES

Payment to refunded bond escrow agent	-	4,228,227	4,228,227	-	7,527,763
Transfers out					
Capital Projects Fund	-	2,230,000	2,230,000	-	458,300
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING USES	-	6,458,227	6,458,227	-	7,986,063
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 66,820,676</u>	<u>\$ 74,462,871</u>	<u>\$ 72,895,300</u>	<u>\$ 1,567,571</u>	<u>\$ 74,743,947</u>

Incorporated Village of Freeport, New York

**Capital Projects Fund
Comparative Balance Sheet**

	<u>February 29, 2016</u>	<u>February 28, 2015</u>
ASSETS		
Cash and equivalents	\$ 1,532,852	\$ 2,776,290
Investments	<u>1,240,671</u>	<u>1,467,269</u>
Receivables		
Accounts	92,697	92,697
State and Federal aid	548,204	43,123
Due from other funds	839,270	3,190,270
Due from other governments	<u>406,377</u>	<u>-</u>
	<u>1,886,548</u>	<u>3,326,090</u>
Total Assets	<u>\$ 4,660,071</u>	<u>\$ 7,569,649</u>
LIABILITIES AND FUND DEFICIT		
Liabilities		
Accounts payable	\$ 196,624	\$ 248
Accrued liabilities	70,881	95,739
Due to other funds	519,834	2,827,489
Bond anticipation notes payable	<u>5,297,500</u>	<u>5,176,500</u>
Total Liabilities	<u>6,084,839</u>	<u>8,099,976</u>
Fund balance (deficit)		
Restricted	-	1,659,938
Unassigned	<u>(1,424,768)</u>	<u>(2,190,265)</u>
Total Fund Deficit	<u>(1,424,768)</u>	<u>(530,327)</u>
Total Liabilities and Fund Deficit	<u>\$ 4,660,071</u>	<u>\$ 7,569,649</u>

Incorporated Village of Freeport, New York

Capital Projects Fund

Comparative Statement of Revenues, Expenditures and Changes in Fund Balance

Year Ended

	<u>February 29, 2016</u>	<u>February 28, 2015</u>
REVENUES		
State aid	\$ 1,135,697	\$ 939,076
Federal aid	422,536	134,648
Miscellaneous	441,281	27,150
	<u>1,999,514</u>	<u>1,100,874</u>
Total Revenues	1,999,514	1,100,874
EXPENDITURES		
Capital outlay	<u>3,426,460</u>	<u>1,838,801</u>
	<u>(1,426,946)</u>	<u>(737,927)</u>
Deficiency of Revenues Over Expenditures	(1,426,946)	(737,927)
OTHER FINANCING SOURCES (USES)		
Bonds issued	-	412,000
Transfers in	2,230,000	458,300
Transfers out	<u>(1,697,495)</u>	<u>(34,480)</u>
	<u>532,505</u>	<u>835,820</u>
Total Other Financing Sources	532,505	835,820
	<u>(894,441)</u>	<u>97,893</u>
Net Change in Fund Balance	(894,441)	97,893
FUND DEFICIT		
Beginning of Year	<u>(530,327)</u>	<u>(628,220)</u>
End of Year	<u>\$ (1,424,768)</u>	<u>\$ (530,327)</u>

Incorporated Village of Freeport, New York

Enterprise Fund - Water Fund
 Comparative Statement of Net Position

	February 29, 2016	February 28, 2015
ASSETS		
Current assets		
Cash and equivalents	\$ 385,479	\$ 223,068
Investments	2	273,106
Accounts receivable	2,921,485	2,911,331
Due from other funds	522,606	1,605,692
Inventories	114,642	124,501
Prepaid expenses	18,728	43,263
Total Current Assets	3,962,942	5,180,961
Non-current assets		
Costs to be recovered from future revenues	2,793,950	2,473,057
Non depreciable capital assets	85,981	85,981
Depreciable capital assets, net of accumulated depreciation	17,350,462	18,093,440
Total Non-Current Assets	20,230,393	20,652,478
Total Assets	24,193,335	25,833,439
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts on refunding bonds	124,771	94,846
Deferred amounts on net pension liabilities	309,726	-
Total Deferred Outflows of Resources	434,497	94,846
LIABILITIES		
Current liabilities		
Accounts payable	222,506	74,427
Accrued interest payable	72,128	102,204
Accrued liabilities	17,212	9,274
Due to other funds	217,026	1,888,230
Bond anticipation notes payable	126,500	136,500
Total Current Liabilities	655,372	2,210,635
Non-current liabilities		
Due within one year	1,208,846	1,151,390
Due in more than one year	12,121,385	12,808,713
Total Non-Current Liabilities	13,330,231	13,960,103
Total Liabilities	13,985,603	16,170,738
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts on net pension liabilities	33,523	-
NET POSITION		
Net investment in capital assets	7,792,705	7,220,446
Unrestricted	2,816,001	2,537,101
Total Net Position	\$ 10,608,706	\$ 9,757,547

Incorporated Village of Freeport, New York

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

	February 29, 2016	February 28, 2015
OPERATING REVENUES		
Charges for services	\$ 6,962,618	\$ 6,658,995
Interest and penalties	494,936	473,403
Total Revenue	<u>7,457,554</u>	<u>7,132,398</u>
OPERATING EXPENSES		
Power and pumping	2,037,315	2,028,066
Transmission and distribution services	319,320	216,651
Administrative and general	2,159,909	1,993,899
Depreciation	751,637	755,517
Charges in lieu of taxes	1,344,150	1,344,150
Total Operating Expenses	<u>6,612,331</u>	<u>6,338,283</u>
Income from Operations	<u>845,223</u>	<u>794,115</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	231	25,335
Interest expense	(298,811)	(461,159)
Costs to be recovered from future revenues	320,893	258,475
Total Non-Operating Revenues (Expenses)	<u>22,313</u>	<u>(177,349)</u>
Change in Net Position	<u>867,536</u>	<u>616,766</u>
NET POSITION		
Beginning of Year, as reported	9,757,547	9,411,771
Prior Period Adjustment	-	(270,990)
Cumulative Effect of Change in Accounting Principle	(16,377)	-
Beginning of Year, as restated	<u>9,741,170</u>	<u>9,140,781</u>
End of Year	<u>\$ 10,608,706</u>	<u>\$ 9,757,547</u>

Incorporated Village of Freeport, New York

Enterprise Fund - Water Fund
 Comparative Statement of Cash Flows
 Year Ended

	February 29, 2016	February 28, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from charges for services	\$ 7,447,400	\$ 7,299,166
Cash payments for goods, services and compensation	(2,890,186)	(5,414,578)
Cash payments for interfund services used	(3,015,354)	(597,167)
Net Cash From Operating Activities	<u>1,541,860</u>	<u>1,287,421</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Bonds issued	-	1,123,000
Principal paid on bonds	(1,096,001)	(1,005,396)
Principal paid on bond anticipation notes	(10,000)	(1,398,000)
Advance refunding escrow	(273,166)	-
Interest paid on bonds	(264,958)	(403,447)
Acquisition and construction of capital assets	(8,659)	(22,869)
Net Cash From Capital and Related Financing Activities	<u>(1,652,784)</u>	<u>(1,706,712)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Sale of investments	273,104	-
Purchase of investments	-	(95)
Interest income	231	25,335
Net Cash From Investing Activities	<u>273,335</u>	<u>25,240</u>
Net Change in Cash and Equivalents	162,411	(394,051)
CASH AND EQUIVALENTS		
Beginning of Year	<u>223,068</u>	<u>617,119</u>
End of Year	<u>\$ 385,479</u>	<u>\$ 223,068</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Income from operations	\$ 845,223	\$ 794,115
Adjustments to reconcile income from operations to net cash from operating activities		
Depreciation	751,637	755,517
Changes in operating assets and liabilities		
Accounts receivable	(10,154)	166,768
Due from other funds	1,083,086	(1,332,068)
Inventories	9,859	15,565
Prepaid expenses	24,535	(16,400)
Accounts payable	148,079	(82,940)
Accrued liabilities	7,938	9,274
Due to other funds	(1,671,204)	746,983
Pension obligations	16,737	19,923
Compensated absences	97,468	(47,791)
Net pension liabilities, net of deferred amounts	(82,237)	-
Other post employment benefit obligations payable	320,893	258,475
Net Cash from Operating Activities:	<u>\$ 1,541,860</u>	<u>\$ 1,287,421</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Refunding bonds issued	\$ 3,960,583	\$ 1,137,849
Issuance premium	105,325	78,883
Payment to refunded bond escrow agent	(4,273,121)	(1,198,636)
Refunding bond issuance costs	(65,953)	(18,096)

Incorporated Village of Freeport, New York

Enterprise Fund - Electric Fund
Comparative Statement of Net Position

	February 29, 2016	February 28, 2015
ASSETS		
Current assets		
Cash and equivalents	\$ 3,690,226	\$ 3,714,190
Investments	4,827,771	4,555,439
Accounts receivable	3,922,668	5,917,595
Due from other funds	597,963	687,573
Due from other governments	3,456	3,494
Inventories	2,503,118	2,753,074
Prepaid expenses	102,894	212,360
Total Current Assets	15,648,096	17,843,725
Non-current assets		
Costs to be recovered from future revenues	10,836,604	9,578,194
Regulatory deposit	73,353	506,687
Non depreciable capital assets	236,662	107,870
Depreciable capital assets, net of accumulated depreciation	64,173,062	66,239,034
Total Non-Current Assets	75,319,681	76,431,785
Total Assets	90,967,777	94,275,510
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts on refunding bonds	1,683,063	1,791,067
Deferred amounts on net pension liabilities	1,343,334	-
Total Deferred Outflows of Resources	3,026,397	1,791,067
LIABILITIES		
Current liabilities		
Accounts payable	1,325,681	2,912,444
Accrued interest payable	371,975	402,222
Bond anticipation notes payable	465,000	-
Due to other funds	1,217,300	1,275,677
Due to other governments	132,867	132,867
Customer deposits	1,428,344	1,662,715
Regulatory liabilities	6,555,370	6,384,739
Unearned revenue	229,241	236,321
Total Current Liabilities	11,725,778	13,006,985
Non-Current Liabilities		
Due within one year	3,860,763	3,689,897
Due in more than one year	66,729,224	67,950,973
Total Non-Current Liabilities	70,589,987	71,640,870
Total Liabilities	82,315,765	84,647,855
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts on net pension liabilities	145,394	-
NET POSITION		
Net investment in capital assets	11,036,354	10,138,578
Unrestricted	496,661	1,280,144
Total Net Position	\$ 11,533,015	\$ 11,418,722

Incorporated Village of Freeport, New York

Enterprise Fund - Electric Fund
 Comparative Statement of Revenues, Expenses and
 Changes in Net Position
 Year Ended

	February 29, 2016	February 28, 2015
OPERATING REVENUES		
Charges for services	\$ 30,059,399	\$ 31,995,841
Miscellaneous	684,187	711,022
Total Revenues	30,743,586	32,706,863
OPERATING EXPENSES		
Power generation	11,619,573	13,702,327
Transmission and distribution	1,470,830	1,515,114
Street lighting and signal system	102,826	98,824
Customer counting and collection	932,052	919,374
Administrative and general	8,158,575	8,015,746
Depreciation	3,007,627	2,997,104
Charges in lieu of taxes	3,797,000	3,807,000
Miscellaneous	456,902	378,152
Total Operating Expenses	29,545,385	31,433,641
Income from Operations	1,198,201	1,273,222
NON-OPERATING REVENUES (EXPENSES)		
Interest income	6,478	4,458
Interest expense	(2,277,764)	(2,358,656)
Costs to be recovered from future revenues	1,258,410	1,221,224
Total Non-Operating Expenses	(1,012,876)	(1,132,974)
Change in Net Position	185,325	140,248
NET POSITION		
Beginning of Year, as reported	11,418,722	11,168,741
Prior Period Adjustment	-	(109,733)
Cumulative Effect of Change in Accounting Principle	(71,032)	-
Beginning of Year, as restated	11,347,690	11,278,474
End Year	\$ 11,533,015	\$ 11,418,722

Incorporated Village of Freeport, New York

Enterprise Fund - Electric Fund
 Comparative Statement of Cash Flows
 Year Ended

	February 29, 2016	February 28, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from charges for services	\$ 30,104,310	\$ 31,560,819
Cash received from interfund services provided	2,482,400	2,339,705
Cash payments for goods, services and compensation	(22,276,029)	(22,242,434)
Cash payments for interfund services used	(3,855,377)	(3,037,504)
Net Cash From Operating Activities	<u>6,455,304</u>	<u>8,620,586</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on bonds	(3,276,555)	(3,146,634)
Principal paid on loan	-	(62,305)
Bond anticipation note issued	465,000	-
Interest paid on indebtedness	(2,331,412)	(2,411,684)
Acquisition and construction of capital assets	(1,070,447)	(539,824)
Net Cash From Capital and Related Financing Activities	<u>(6,213,414)</u>	<u>(6,160,447)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investments	(272,332)	(2,253,704)
Interest income	6,478	4,458
Net Cash From Investing Activities	<u>(265,854)</u>	<u>(2,249,246)</u>
Net Change in Cash and Equivalents	(23,964)	210,893
CASH AND EQUIVALENTS		
Beginning of Year	3,714,190	3,503,297
End of Year	<u>\$ 3,690,226</u>	<u>\$ 3,714,190</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Income from operations	\$ 1,198,201	\$ 1,273,222
Adjustments to reconcile income from operations to net cash from operating activities		
Depreciation	3,007,627	2,997,104
Changes in operating assets and liabilities		
Accounts receivable	1,994,927	1,066,094
Due from other funds	89,610	(91,443)
Due from other governments	38	143,140
Inventories	249,956	(39,260)
Prepaid expenses	109,466	(95,954)
Regulatory deposit	433,334	139,962
Accounts payable	(1,586,763)	(980,086)
Due to other funds	(58,377)	769,496
Customer deposits	(234,371)	75,870
Regulatory liabilities	170,631	1,796,438
Unearned revenues	(7,080)	-
Pension obligations	79,238	128,179
Compensated absences	107,134	216,600
Net pension liabilities, net of deferred amounts	(356,677)	-
Other post employment benefit obligations payable	1,258,410	1,221,224
Net Cash From Operating Activities	<u>\$ 6,455,304</u>	<u>\$ 8,620,586</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Refunding bonds issued	\$ 242,807	\$ 206,148
Issuance premium	6,457	14,292
Payment to refunded bond escrow agent	(245,221)	(217,161)
Refunding bond issuance costs	(4,043)	(3,279)