

Incorporated Village of Freeport, New York

Financial Statements and
Supplementary Information

Year Ended February 28, 2015

Incorporated Village of Freeport, New York

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Incorporated Village of Freeport, New York ("Village") as of and for the year ended February 28, 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 28, 2015, 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 28, 2015, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management’s Discussion and Analysis and the Schedule of Funding Progress - Other Post Employment Benefits 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 12, 2016

Incorporated Village Of Freeport, New York

Management Discussion And Analysis
February 28, 2015

As management of the Incorporated Village of Freeport, New York ("Village" or "primary government"), we offer readers of the financial statements this narrative overview and analysis of the financial activities for the year ended February 28, 2015. Please read it in conjunction with the Village's financial statements.

FINANCIAL HIGHLIGHTS

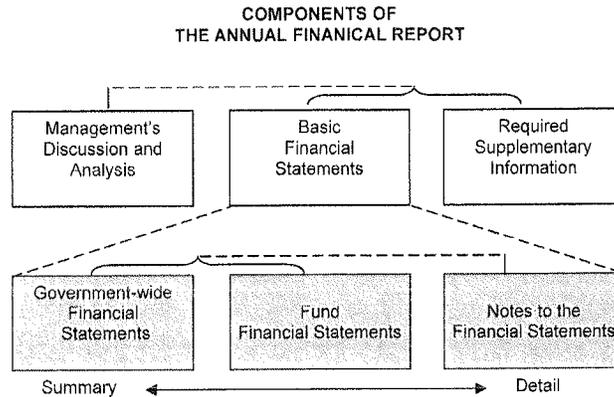
- The combined liabilities of the Village exceeded its assets and deferred outflows of resources by \$38,901,465 at February 28, 2015 (net of prior period adjustments, see Note 2D), of which \$1,074,904 was related to an increase in governmental activities and \$757,014 was related to an increase in the business-type activities. The Village's total combined net position increased by \$1,831,918. The most notable factor contributing to this overall increase in net position is the decrease in accounts payable and other current liabilities.
- As of February 28, 2015, the Village's governmental funds reported combined ending fund balances of \$8,006,636. Of this amount, \$2,277,036 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 \$2,184,900. In spendable form and assigned for specific purposes is \$51,908. The remaining \$3,492,792 is unassigned and currently available for spending. See Note 3J.
- At year end, the Village's total fund balance for the General Fund was \$8,536,963, an increase of \$1,428,897 from the prior year. The unassigned fund balance for the General Fund is \$5,726,180.
- The Village's total bonded debt (inclusive of general obligation bonds and bond anticipation notes (BAN's)) accounted for as long-term debt was \$124,128,000, of which \$57,488,643 relates to governmental activities and \$66,639,357 relates to business-type activities. There was a decrease in bonded debt in the amount of \$6,526,307.

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.

Incorporated Village Of Freeport, New York

Management Discussion And Analysis
February 28, 2015



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

The Statement of Activities presents information showing how the Village's net position changed during the most recent year. Revenues and expenses are reported by activity to give the reader an understanding of how each of the Village's activities is being supported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods. This method is known as the accrual basis of accounting and is different from the modified accrual basis of accounting used in the Village's fund financial statements.

The Village's government-wide financial statements include both the governmental and business-type activities of the Village. However, it's 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).

Incorporated Village Of Freeport, New York

Management Discussion And Analysis
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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 2E 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.

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.

Incorporated Village Of Freeport, New York

Management Discussion And Analysis
February 28, 2015

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 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 exceeded assets by \$38,901,465 at the close of the most recent year.

Incorporated Village Of Freeport, New York

Management Discussion And Analysis February 28, 2015

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

Condensed Statements of Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	February 28, 2015	February 28, 2014*	February 28, 2015	February 28, 2014*	February 28, 2015	February 28, 2014*
Assets						
Current and other assets	\$ 16,679,913	\$ 18,530,142	\$ 32,418,717	\$ 30,341,260	\$ 49,098,630	\$ 48,871,402
Capital assets	54,735,352	56,521,973	84,526,326	87,716,253	139,261,677	144,238,226
Total assets	<u>71,415,265</u>	<u>75,052,115</u>	<u>116,945,042</u>	<u>118,057,513</u>	<u>188,360,307</u>	<u>193,109,628</u>
Deferred outflows of resources	517,852	591,692	1,885,913	2,044,781	2,403,765	2,636,473
Liabilities						
Other liabilities	21,174,017	24,999,731	16,895,000	17,263,880	38,069,017	42,263,611
Long-term liabilities	110,836,834	111,008,501	80,759,686	82,419,159	191,596,520	193,427,660
Total liabilities	<u>132,010,851</u>	<u>136,008,232</u>	<u>97,654,686</u>	<u>99,683,039</u>	<u>229,665,537</u>	<u>235,691,271</u>
Deferred inflows of resources	-	788,213	-	-	-	788,213
Net position						
Net investment in capital assets	15,800,197	21,746,407	17,359,024	16,250,347	33,159,221	37,996,754
Restricted - Debt Service	2,184,900	472,218	-	-	2,184,900	472,218
Unrestricted	(78,062,831)	(83,371,263)	3,817,245	4,168,908	(74,245,586)	(79,202,355)
Total net position	<u>\$ (60,077,734)</u>	<u>\$ (61,152,638)</u>	<u>\$ 21,176,269</u>	<u>\$ 20,419,255</u>	<u>\$ (38,901,465)</u>	<u>\$ (40,733,383)</u>

*Restated

Total assets and deferred outflows of resources of the Village's governmental activities, as of February 28, 2015, were \$71,415,265 and \$517,852, respectively, a total decrease of \$3,710,690. Total liabilities and deferred inflows of resources as of February 28, 2015 were \$132,010,851 and \$-0-, respectively, a total decrease of \$4,785,594. This resulted in a net position (deficit) balance of \$60,077,734 for 2015, an increase of \$1,074,904. Of the Village's governmental activities net position (deficit) balance, \$15,800,197 was a net investment in capital assets, \$2,184,900 was restricted for debt service; leaving a \$78,062,831 unrestricted deficit.

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 28, 2015, were \$116,945,042 and \$1,885,913, respectively, a total decrease of \$1,271,339. Total liabilities and deferred inflows of resources as of February 28, 2015 were \$97,654,686 and \$-0-, respectively, a total decrease of \$2,028,353. This resulted in a net position balance of \$21,176,269 for 2015, an increase of \$757,014. Of the Village's business-type activities net position balance, \$17,359,024 represents net investment in capital assets; leaving a \$3,817,245 unrestricted net position.

Incorporated Village Of Freeport, New York

Management Discussion And Analysis February 28, 2015

The Village's combined net investment in capital assets of \$33,159,221 as of February 28, 2015, 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 benefits obligation related to the primary government increased by \$5,926,147 in the current year, bringing the unfunded liability at year end to \$52,325,142. Additional information on other postemployment benefits can be found in Note 3.G to the financial statements.

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

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	February 28, 2015	February 28, 2014	February 28, 2015	February 28, 2014	February 28, 2015	February 28, 2014
Program Revenues						
Charges for services	\$ 12,263,760	\$ 9,505,636	\$ 39,839,261	\$ 50,021,420	\$ 52,103,021	\$ 59,527,056
Operating grants and contributions	316,726	1,341,180	-	-	316,726	1,341,180
Capital grants and contributions	1,100,874	658,408	-	143,429	1,100,874	1,001,837
	<u>13,681,360</u>	<u>11,705,224</u>	<u>39,839,261</u>	<u>50,164,849</u>	<u>53,520,621</u>	<u>61,870,073</u>
General Revenues						
Real property taxes	42,587,094	41,832,154	-	-	42,587,094	41,832,154
Other real property tax items	5,958,140	5,831,198	-	-	5,958,140	5,831,198
Non-property tax items	1,026,869	1,015,260	-	-	1,026,869	1,015,260
Use of money and property	168,878	2,545,429	29,793	14,214	198,671	2,559,643
Insurance recoveries	595,043	672,037	-	-	595,043	672,037
Gain on disposition	172,873	357,636	-	-	172,873	357,636
State aid - unrestricted	1,298,741	1,338,263	-	-	1,298,741	1,338,263
Costs to be recovered in future revenues	-	-	1,479,699	1,734,173	1,479,699	1,734,173
Other	93,315	193,217	-	-	93,315	193,217
	<u>51,900,953</u>	<u>53,785,194</u>	<u>1,509,492</u>	<u>1,748,387</u>	<u>53,410,445</u>	<u>55,533,581</u>
Total revenues	<u>65,582,313</u>	<u>65,490,418</u>	<u>41,348,753</u>	<u>51,913,236</u>	<u>106,931,066</u>	<u>117,403,654</u>
Program expenses						
General government support	12,096,394	19,397,213	-	-	12,096,394	19,397,213
Public safety	35,609,765	35,179,296	-	-	35,609,765	35,179,296
Health	3,216	5,589	-	-	3,216	5,589
Transportation	4,715,279	5,890,852	-	-	4,715,279	5,890,852
Economic assistance and opportunity	91,112	93,357	-	-	91,112	93,357
Culture and recreation	5,090,509	6,533,605	-	-	5,090,509	6,533,605
Home and community services	4,470,048	4,869,617	-	-	4,470,048	4,869,617
Interest on debt	1,831,006	1,897,365	-	-	1,831,006	1,897,365
Electric	-	-	33,792,297	44,873,730	33,792,297	44,873,730
Water	-	-	6,799,442	6,949,449	6,799,442	6,949,449
	<u>64,507,409</u>	<u>73,866,984</u>	<u>40,591,739</u>	<u>51,823,179</u>	<u>105,099,148</u>	<u>125,690,163</u>
Total expenses	<u>64,507,409</u>	<u>73,866,984</u>	<u>40,591,739</u>	<u>51,823,179</u>	<u>105,099,148</u>	<u>125,690,163</u>
Change in net position	1,074,904	(8,376,566)	757,014	90,057	1,831,918	(8,286,509)
Net position, beginning of the year	(61,152,638)	(49,184,280)	20,419,255	20,490,455	(40,733,383)	(28,693,805)
Prior period adjustment (see note 2D)	-	(3,591,812)	-	(161,257)	-	(3,753,069)
Net position, beginning of the year, as restated	<u>(61,152,638)</u>	<u>(52,776,072)</u>	<u>20,419,255</u>	<u>20,329,198</u>	<u>(40,733,383)</u>	<u>(32,446,874)</u>
Net position, end of year	<u>\$ (60,077,734)</u>	<u>\$ (61,152,638)</u>	<u>\$ 21,176,269</u>	<u>\$ 20,419,255</u>	<u>\$ (38,901,465)</u>	<u>\$ (40,733,383)</u>

Incorporated Village Of Freeport, New York

Management Discussion And Analysis February 28, 2015

During the year ended February 28, 2015, government-wide revenues decreased from the prior year by \$10,472,588 while government-wide expenditures decreased from the prior year by \$20,591,015.

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

- Governmental activities program revenues increased by approximately \$1,976,000, primarily as a result of a reallocation of rental income from use of money and property to charges for services.
- Governmental activities general revenues decreased by approximately \$1,884,000 due to the aforementioned reallocation of rental income.

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

- General governmental support expenses decreased by approximately \$7,300,819 as a result of a decrease in judgments and claims expenditures.
- There was a decrease in transportation 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 28, 2015 and February 28, 2014

	Total Cost of Services		Program Revenues		Net Cost of Services	
	February 28, 2015	February 28, 2014	February 28, 2015	February 28, 2014	February 28, 2015	February 28, 2014
General government support	\$ 12,096,394	\$ 19,397,213	\$ 3,075,911	\$ 858,699	\$ 9,020,483	\$ 18,538,514
Public Safety	35,609,765	35,179,296	2,315,333	3,283,740	33,294,432	31,895,556
Health	3,216	5,589	-	-	3,216	5,589
Transportation	4,715,279	5,890,852	1,608,121	1,255,240	3,107,158	4,635,612
Economic assistance and opportunity	91,112	93,357	-	5,250	91,112	88,107
Cultural and recreation	5,690,589	6,533,695	1,857,618	1,718,292	3,832,971	4,815,403
Home and community services	4,470,048	4,869,617	4,824,377	4,584,003	(354,329)	285,614
Interest on debt	1,831,006	1,897,365	-	-	1,831,006	1,897,365
	<u>\$ 64,507,409</u>	<u>\$ 73,866,984</u>	<u>\$ 13,681,360</u>	<u>\$ 11,705,224</u>	<u>\$ 50,826,049</u>	<u>\$ 62,161,760</u>

The cost of the governmental activities this year was \$64,507,409. The net cost of these services after being subsidized by program revenues of \$13,681,360 was \$50,826,049.

Incorporated Village Of Freeport, New York

Management Discussion And Analysis February 28, 2015

Total Cost of Services, Program Revenues and Net Cost (Income) of Services Business-Type Activities For the years ended February 28, 2015 and February 28, 2014

	Total Cost of Services		Program Revenues		Net Cost of Services	
	February 28, 2015	February 28, 2014	February 28, 2015	February 28, 2014	February 28, 2015	February 28, 2014
Electric	\$ 33,792,297	\$ 44,873,730	\$ 32,706,863	\$ 42,763,625	\$ 1,085,434	\$ 2,110,105
Water	6,799,442	6,949,449	7,132,398	7,401,224	(332,956)	(451,775)
	\$ 40,591,739	\$ 51,823,179	\$ 39,839,261	\$ 50,164,849	\$ 752,478	\$ 1,658,330

The cost of the business-type activities this year was \$40,591,739. The net cost of these services after being subsidized by program revenues of \$39,839,261 was \$752,478.

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 \$8,536,963, an increase of \$1,428,897 from the prior year. Of this amount, \$2,277,036 is not in spendable form (inventory of material and supplies, long term receivables and prepaid expenditures) and the remaining \$6,259,927 is in spendable form as follows: \$481,839 is restricted for debt service payments, \$51,908 has been assigned for purchase orders by the Village Comptroller, and the remaining \$5,726,180 is unassigned.

The key elements of the fund balance increase of \$1,428,897 are as follows:

- Insurance recoveries received exceeded the final budgeted revenue by \$145,000
- Local grants received from Nassau County and the Town of Hempstead exceeded final budgeted revenue by \$185,000
- Sales of real property were an unbudgeted revenue of \$351,000
- The combined positive variances (actual expenditures were less than the final budget) in the general government support, public safety and employee benefits functions were approximately \$800,000

At the end of the current year, the Capital Projects Fund had a total deficit fund balance of \$530,327. The Capital Projects Fund balance increased by \$97,893 from the prior year, a result of timing differences between project expenditures and the recognition of corresponding permanent financing.

Incorporated Village Of Freeport, New York

Management Discussion And Analysis February 28, 2015

Proprietary Funds

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

Water Fund

As of February 28, 2015, the Water Fund's net position was \$9,757,547, an increase of \$616,766 from the prior year after prior period adjustments. Operating revenues decreased by approximately \$269,000, a result of reduced 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 decreased by approximately \$172,000, a result of the reduced costs related to decreased demand of water pumpage despite increases in salaries and other administrative costs. The Water Fund's non-operating expenses increased by approximately \$136,000 due to more interest expense in the current year as the fund has taken out new debt issues of \$1,123,000 and refunded a portion of another debt issuance.

Electric Fund

As of February 28, 2015, the Electric Fund's net position was \$11,418,722, an increase of \$140,248 from the prior year after prior period adjustments. Operating revenues decreased by approximately \$9,913,000 as a result of a decrease in residential and commercial sales from the prior fiscal year. Operating expenses also decreased by approximately \$10,972,000, in line with the previously referenced decrease in sales from the prior fiscal year despite an increase in the cost of transmission and distribution services. The Electric Fund's (net) non-operating expenses increased by approximately \$159,000, mainly due to reduced FEMA reimbursable grant proceeds of approximately \$144,000 since these reimbursable costs were incurred for power restoration services in fiscal year 2013.

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 \$100,676 by appropriating prior year assigned fund balance. Overall, total revenues and other financing sources were greater than budgeted by \$491,336 and total actual expenditures were less than total appropriations in the amount of \$1,038,237. As a result the Village's overall budget was under-expended by \$1,529,573. In addition, the original budget was increased as follows:

Other financing sources	\$ 10,261,413
Appropriations	<u>10,261,413</u>
	<u>\$ -0-</u>

Incorporated Village Of Freeport, New York

Management Discussion And Analysis
February 28, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Village's capital assets net of accumulated depreciation for its governmental and business-type activities as of February 28, 2015, amounts to \$54,735,352 and \$84,526,325, respectively. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure (roads, curbs, sidewalks, drainage, sewer and water systems) and intangibles.

During the fiscal year ended February 28, 2015, the Village's major capital expenditures were as follows:

Electric fund machinery and equipment	\$	812,488
Various road improvements		1,238,660
Computer systems upgrade		108,298
Various building improvements		303,157
Acquisition of vehicles and major equipment governmental activities		<u>410,220</u>
	\$	<u>2,872,823</u>

Governmental Activities

	<u>February 28, 2015</u>	<u>February 28, 2014*</u>
Land	\$ 3,564,750	\$ 3,749,750
Construction in progress	469,398	159,158
Buildings	13,745,461	13,567,717
Improvements other than buildings	16,628,905	16,503,492
Machinery and equipment	14,410,737	14,065,340
Intangibles - software	1,212,618	1,104,320
Infrastructure:		
Roads, curbs, sidewalks and drainage	48,629,844	47,391,182
Sewer system	<u>20,846,362</u>	<u>20,846,364</u>
Total capital assets	119,508,075	117,387,323
Less: accumulated depreciation	<u>64,772,723</u>	<u>60,865,350</u>
Total net governmental capital assets	<u>\$ 54,735,352</u>	<u>\$ 56,521,973</u>

*Restated

Incorporated Village Of Freeport, New York

Management Discussion And Analysis
February 28, 2015

Business-type Activities

	<u>February 28, 2015</u>	<u>February 28, 2014*</u>
Land	\$ 170,220	\$ 170,220
Construction in progress	23,631	273,426
Buildings, wells and structures	21,280,002	21,280,002
Improvements other than buildings	2,003,967	2,003,967
Machinery and equipment	107,251,439	106,932,693
Infrastructure:		
Water mains	<u>19,685,634</u>	<u>19,685,634</u>
Total capital assets	150,414,893	150,345,942
Less: accumulated depreciation	<u>65,888,568</u>	<u>62,629,689</u>
Total net business-type capital assets	<u>\$ 84,526,325</u>	<u>\$ 87,716,253</u>

*Restated

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 3.B 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 August 26, 2015 was 19.86%.

Incorporated Village Of Freeport, New York

Management Discussion And Analysis
February 28, 2015

Debt Administration

A summary of activity for outstanding debt for the Village for the year ended February 28, 2015 is as follows:

	Balance 3/1/2014	Increases	Decreases	Balance 2/28/2015
Governmental activities:				
Bond anticipation notes	\$ 11,019,800	\$ 4,297,000	\$ 6,370,300	\$ 8,946,500
General obligation bonds*	48,510,259	12,948,003	12,916,119	48,542,143
	<u>\$ 59,530,059</u>	<u>\$ 17,245,003</u>	<u>\$ 19,286,419</u>	<u>\$ 57,488,643</u>
Business-type activities:				
Loan payable	62,305	-	62,305	-
Bond anticipation notes	1,534,500	-	1,398,000	136,500
General obligation bonds*	69,589,748	2,466,997	5,553,888	66,502,857
	<u>\$ 71,186,553</u>	<u>\$ 2,466,997</u>	<u>\$ 7,014,193</u>	<u>\$ 66,639,357</u>

*Exclusive of related bond premiums

Moody's Investment Services maintained the Village's credit rating at "A1" during the year ended February 28, 2015. 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 3.F and 3.G to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Property Tax

The Village has adopted a budget for the 2015-2016 fiscal year, which factors in inflation and other adjustments to revenues and expenditures as well as prior year positive and negative fund balances. The 2015-2016 budget includes an overall decrease in real property tax revenues from the prior year of 0.16% for the general Village governmental activities.

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

Incorporated Village Of Freeport, New York

Management Discussion And Analysis
February 28, 2015

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 29, 2016, 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.

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Incorporated Village of Freeport, New York

Statement of Net Position
February 28, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 4,475,784	\$ 3,937,258	\$ 8,413,042
Investments	7,144,541	4,828,545	11,973,086
Receivables			
Taxes	623,047	-	623,047
Accounts, net	1,032,927	8,828,926	9,861,853
State and Federal aid	217,966	-	217,966
Due from other governments	127,412	3,494	130,906
Internal balances	870,642	(870,642)	-
Due from component unit	1,439,638	-	1,439,638
Inventories	379,298	2,877,575	3,256,873
Prepaid expenses	368,658	255,623	624,281
Costs to be recovered from future revenues	-	12,051,251	12,051,251
Regulatory deposit	-	506,687	506,687
Capital assets			
Not being depreciated	4,034,148	193,851	4,227,999
Being depreciated, net	50,701,204	84,332,474	135,033,678
Total Assets	71,415,265	116,945,042	188,360,307
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts on refunding bonds	517,852	1,885,913	2,403,765
LIABILITIES			
Accounts payable	2,427,991	2,986,871	5,414,862
Accrued interest payable	607,877	820,642	1,428,519
Accrued liabilities	382,325	9,274	391,599
Due to other governments	9,995	132,867	142,862
Due to component unit	82,520	-	82,520
Customer deposits	-	1,346,499	1,346,499
Regulatory liabilities	-	6,384,739	6,384,739
Bond anticipation notes payable	5,176,500	136,500	5,313,000
Unearned revenues	-	236,321	236,321
Non-current liabilities			
Due within one year	12,486,809	4,841,287	17,328,096
Due in more than one year	110,836,834	80,759,686	191,596,520
Total Liabilities	132,010,851	97,654,686	229,665,537
NET POSITION			
Net investment in capital assets	15,800,197	17,359,024	33,159,221
Restricted			
Debt service	2,184,900	-	2,184,900
Unrestricted	(78,062,831)	3,817,245	(74,245,586)
Total Net Position	\$ (60,077,734)	\$ 21,176,269	\$ (38,901,465)

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

Incorporated Village of Freeport, New York

Statement of Activities
Year Ended February 28, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government support	\$ 12,096,394	\$ 2,968,952	\$ 106,959	\$ -
Public safety	35,609,765	2,244,163	71,170	-
Health	3,216	-	-	-
Transportation	4,715,279	698,863	-	909,258
Economic opportunity and development	91,112	-	-	-
Culture and recreation	5,690,589	1,857,618	-	-
Home and community services	4,470,048	4,494,164	138,597	191,616
Interest	1,831,006	-	-	-
Total Governmental Activities	64,507,409	12,263,760	316,726	1,100,874
Business-type activities				
Water	6,799,442	7,132,398	-	-
Electric	33,792,297	32,706,863	-	-
Total Business-Type Activities	40,591,739	39,839,261	-	-
Total	\$ 105,099,148	\$ 52,103,021	\$ 316,726	\$ 1,100,874

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 Adjustments

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		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (9,020,483)	\$ -	\$ (9,020,483)
(33,294,432)	-	(33,294,432)
(3,216)	-	(3,216)
(3,107,158)	-	(3,107,158)
(91,112)	-	(91,112)
(3,832,971)	-	(3,832,971)
354,329	-	354,329
(1,831,006)	-	(1,831,006)
<u>(50,826,049)</u>	<u>-</u>	<u>(50,826,049)</u>
-	332,956	332,956
-	(1,085,434)	(1,085,434)
<u>-</u>	<u>(752,478)</u>	<u>(752,478)</u>
<u>(50,826,049)</u>	<u>(752,478)</u>	<u>(51,578,527)</u>
42,587,094	-	42,587,094
341,920	-	341,920
5,616,220	-	5,616,220
119,088	-	119,088
907,781	-	907,781
168,878	29,793	198,671
1,298,741	-	1,298,741
93,315	-	93,315
595,043	-	595,043
-	1,479,699	1,479,699
172,873	-	172,873
<u>51,900,953</u>	<u>1,509,492</u>	<u>53,410,445</u>
<u>1,074,904</u>	<u>757,014</u>	<u>1,831,918</u>
(57,560,826)	20,580,512	(36,980,314)
<u>(3,591,812)</u>	<u>(161,257)</u>	<u>(3,753,069)</u>
<u>(61,152,638)</u>	<u>20,419,255</u>	<u>(40,733,383)</u>
<u>\$ (60,077,734)</u>	<u>\$ 21,176,269</u>	<u>\$ (38,901,465)</u>

Incorporated Village of Freeport, New York

Balance Sheet
Governmental Funds
February 28, 2015

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and equivalents	\$ 1,699,494	\$ 2,776,290	\$ 4,475,784
Investments	5,677,272	1,467,269	7,144,541
Taxes receivable	623,047	-	623,047
Other receivables			
Accounts, net	940,230	92,697	1,032,927
State and Federal aid	174,843	43,123	217,966
Due from other funds	5,437,310	3,190,270	8,627,580
Due from other governments	127,412	-	127,412
Due from component unit	1,439,638	-	1,439,638
	<u>8,119,433</u>	<u>3,326,090</u>	<u>11,445,523</u>
Inventories	379,298	-	379,298
Prepaid expenditures	368,658	-	368,658
Total Assets	<u>\$ 16,867,202</u>	<u>\$ 7,569,649</u>	<u>\$ 24,436,851</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 2,427,743	\$ 248	\$ 2,427,991
Accrued liabilities	286,586	95,739	382,325
Due to other funds	4,929,449	2,827,489	7,756,938
Due to other governments	9,995	-	9,995
Due to component unit	82,520	-	82,520
Bond anticipation notes payable	-	5,176,500	5,176,500
Total Liabilities	7,736,293	8,099,976	15,836,269
Deferred inflows of resources			
Deferred tax revenues	593,946	-	593,946
Total Liabilities and Deferred Inflows of Resources	<u>8,330,239</u>	<u>8,099,976</u>	<u>16,430,215</u>
Fund balances			
Nonspendable	2,277,036	-	2,277,036
Restricted	481,839	1,703,061	2,184,900
Assigned	51,908	-	51,908
Unassigned	5,726,180	(2,233,388)	3,492,792
Total Fund Balances	<u>8,536,963</u>	<u>(530,327)</u>	<u>8,006,636</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 16,867,202</u>	<u>\$ 7,569,649</u>	<u>\$ 24,436,851</u>

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

Incorporated Village of Freeport, New York

Reconciliation of Governmental Funds Balance Sheet to
the Government-Wide Statement of Net Position
February 28, 2015

Fund Balances - Total Governmental Funds	\$ 8,006,636
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.	54,735,352
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	593,946
Governmental funds do not report the effect of losses on refunding bonds whereas these amounts are deferred and amortized in the statement of activities. Deferred amounts on refunding bonds	517,852
Long-term liabilities that are not due and payable in the current period are not reported in the funds.	
Accrued interest payable	(607,877)
Claims payable	(5,834,821)
Bonds payable	(49,113,516)
Compensated absences	(19,328,659)
Bond anticipation notes payable	(3,770,000)
Pension obligations	(5,002,756)
Other post employment benefit obligations payable	<u>(40,273,891)</u>
Net Position of Governmental Activities	<u>\$ (60,077,734)</u>

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

Incorporated Village of Freeport, New York

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended February 28, 2015

	General	Capital Projects	Total Governmental Funds
REVENUES			
Real property taxes	\$ 42,647,606	\$ -	\$ 42,647,606
Other tax items	5,958,140	-	5,958,140
Non-property taxes	1,026,869	-	1,026,869
Departmental income	7,207,769	-	7,207,769
Intergovernmental revenues	4,952	-	4,952
Interfund revenues	1,088,000	-	1,088,000
Use of money and property	1,379,395	-	1,379,395
Licenses and permits	1,062,483	-	1,062,483
Fines and forfeitures	1,504,312	-	1,504,312
State aid	1,476,870	939,076	2,415,946
Federal aid	138,597	134,648	273,245
Miscellaneous	279,042	27,150	306,192
Total Revenues	63,774,035	1,100,874	64,874,909
EXPENDITURES			
Current			
General government support	13,805,768	-	13,805,768
Public safety	19,528,094	-	19,528,094
Health	3,216	-	3,216
Transportation	2,489,469	-	2,489,469
Economic opportunity and development	89,867	-	89,867
Culture and recreation	3,523,179	-	3,523,179
Home and community services	3,424,226	-	3,424,226
Employee benefits	16,414,226	-	16,414,226
Capital outlay	-	1,838,801	1,838,801
Debt service			
Principal	5,567,970	-	5,567,970
Interest	1,798,219	-	1,798,219
Refunding bond issuance costs	113,650	-	113,650
Total Expenditures	66,757,884	1,838,801	68,596,685
Deficiency of Revenues Over Expenditures	(2,983,849)	(737,927)	(3,721,776)
OTHER FINANCING SOURCES (USES)			
Insurance recoveries	595,043	-	595,043
Sale of real property	357,873	-	357,873
Bonds issued	-	412,000	412,000
Bond anticipation notes issued	3,770,000	-	3,770,000
Refunding bonds issued	7,146,003	-	7,146,003
Issuance premium	495,410	-	495,410
Payment to refunded bond escrow agent	(7,527,763)	-	(7,527,763)
Transfers in	34,480	458,300	492,780
Transfers out	(458,300)	(34,480)	(492,780)
Total Other Financing Sources	4,412,746	835,820	5,248,566
Net Change in Fund Balances	1,428,897	97,893	1,526,790
FUND BALANCES (DEFICITS)			
Beginning of Year	7,108,066	(628,220)	6,479,846
End of Year	<u>\$ 8,536,963</u>	<u>\$ (530,327)</u>	<u>\$ 8,006,636</u>

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

Incorporated Village of Freeport, New York

Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended February 28, 2015

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

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 1,526,790</u>
<p>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 is the amount by which depreciation expense exceeded capital outlay in the current period. This amount may be less than total capital outlay since capital outlay includes amounts that are under the capitalization threshold.</p>	
Capital outlay expenditures	2,370,575
Depreciation expense	<u>(3,972,196)</u>
	<u>(1,601,621)</u>
<p>Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Sale of property	(185,000)
Real property taxes	<u>(60,512)</u>
	<u>(245,512)</u>
<p>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.</p>	
Refunding bonds issued	(7,146,003)
Payment to refunded bond escrow agent	7,527,763
Issuance premium	(495,410)
Bonds issued	(412,000)
Bond anticipation notes issued	(3,770,000)
Principal paid on bond anticipation notes	110,000
Principal paid on bonds	5,457,970
Amortization of loss on refunding bonds and issuance premium	<u>(58,059)</u>
	<u>1,214,261</u>
<p>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.</p>	
Accrued interest	25,272
Prepaid expenses	(503,824)
Claims payable	7,101,060
Compensated absences	(1,663,330)
Pension obligations	(331,744)
Other post employment benefit obligations	<u>(4,446,448)</u>
	<u>180,986</u>
Change in Net Position of Governmental Activities	<u><u>\$ 1,074,904</u></u>

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

Incorporated Village of Freeport, New York

Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
General Fund
Year Ended February 28, 2015

	Original Budget (1)	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Real property taxes	\$ 42,657,602	\$ 42,657,602	\$ 42,647,606	\$ (9,996)
Other tax items	6,008,521	6,008,521	5,958,140	(50,381)
Non-property taxes	979,000	979,000	1,026,869	47,869
Departmental income	7,306,170	7,306,170	7,207,769	(98,401)
Intergovernmental charges	3,000	3,000	4,952	1,952
Interfund charges	1,088,000	1,088,000	1,088,000	-
Use of money and property	1,261,069	1,261,069	1,379,395	118,326
Licenses and permits	987,000	987,000	1,062,483	75,483
Fines and forfeitures	1,800,000	1,800,000	1,504,312	(295,688)
State aid	1,500,133	1,500,133	1,476,870	(23,263)
Federal aid	75,000	75,000	138,597	63,597
Miscellaneous	116,200	116,200	279,042	162,842
Total Revenues	63,781,695	63,781,695	63,774,035	(7,660)
EXPENDITURES				
Current				
General government support	11,799,257	14,399,855	13,805,768	594,087
Public safety	19,593,235	19,599,735	19,528,094	71,641
Health	3,350	3,350	3,216	134
Transportation	2,462,902	2,561,002	2,489,469	71,533
Economic opportunity and development	141,619	141,619	89,867	51,752
Culture and recreation	3,359,807	3,546,209	3,523,179	23,030
Home and community services	3,889,265	3,445,165	3,424,226	20,939
Employee benefits	16,450,102	16,547,302	16,414,226	133,076
Debt service				
Principal	5,950,970	5,567,970	5,567,970	-
Interest	1,870,264	1,870,264	1,798,219	72,045
Refunding bond issuance costs	-	113,650	113,650	-
Total Expenditures	65,520,771	67,796,121	66,757,884	1,038,237
Deficiency of Revenues Over Expenditures	(1,739,076)	(4,014,426)	(2,983,849)	1,030,577
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	450,000	450,000	595,043	145,043
Sale of real property	13,400	13,400	357,873	344,473
Bond anticipation notes issued	1,150,000	3,770,000	3,770,000	-
Refunding bonds issued	-	7,146,003	7,146,003	-
Issuance premium	-	495,410	495,410	-
Payment to refunded bond escrow agent	-	(7,527,763)	(7,527,763)	-
Transfers in	25,000	25,000	34,480	9,480
Transfers out	-	(458,300)	(458,300)	-
Total Other Financing Sources	1,638,400	3,913,750	4,412,746	498,996
Net Change in Fund Balance	(100,676)	(100,676)	1,428,897	1,529,573
FUND BALANCE				
Beginning of Year	100,676	100,676	7,108,066	7,007,390
End of Year	\$ -	\$ -	\$ 8,536,963	\$ 8,536,963

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

(1) Includes prior year encumbrances of \$100,676.

Incorporated Village of Freeport, New York

Statement of Net Position
 Proprietary Funds
 February 28, 2015

	Business-type Activities - Enterprise Funds		
	Water	Electric	Totals
ASSETS			
Current assets			
Cash and equivalents	\$ 223,068	\$ 3,714,190	\$ 3,937,258
Investments	273,106	4,555,439	4,828,545
Accounts receivable	2,911,331	5,917,595	8,828,926
Due from other funds	1,605,692	687,573	2,293,265
Due from other governments	-	3,494	3,494
Inventories	124,501	2,753,074	2,877,575
Prepaid expenses	43,263	212,360	255,623
Total Current Assets	<u>5,180,961</u>	<u>17,843,725</u>	<u>23,024,686</u>
Non-current assets			
Costs to be recovered from future revenues	2,473,057	9,578,194	12,051,251
Regulatory deposit	-	506,687	506,687
Capital assets			
Not being depreciated	85,981	107,870	193,851
Being depreciated, net	18,093,440	66,239,034	84,332,474
Total Non-Current Assets	<u>20,652,478</u>	<u>76,431,785</u>	<u>97,084,263</u>
Total Assets	<u>25,833,439</u>	<u>94,275,510</u>	<u>120,108,949</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts on refunding bonds	94,846	1,791,067	1,885,913
LIABILITIES			
Current liabilities			
Accounts payable	74,427	2,912,444	2,986,871
Accrued interest payable	102,204	718,438	820,642
Accrued liabilities	9,274	-	9,274
Due to other funds	1,888,230	1,275,677	3,163,907
Due to other governments	-	132,867	132,867
Customer deposits	-	1,346,499	1,346,499
Regulatory liabilities	-	6,384,739	6,384,739
Bond anticipation notes payable	136,500	-	136,500
Unearned revenues	-	236,321	236,321
Total Current Liabilities	<u>2,210,635</u>	<u>13,006,985</u>	<u>15,217,620</u>
Non-current liabilities			
Due within one year	1,151,390	3,689,897	4,841,287
Due in more than one year	12,808,713	67,950,973	80,759,686
Total Non-Current Liabilities	<u>13,960,103</u>	<u>71,640,870</u>	<u>85,600,973</u>
Total Liabilities	<u>16,170,738</u>	<u>84,647,855</u>	<u>100,818,593</u>
NET POSITION			
Net investment in capital assets	7,220,446	10,138,578	17,359,024
Unrestricted	2,537,101	1,280,144	3,817,245
Total Net Position	<u>\$ 9,757,547</u>	<u>\$ 11,418,722</u>	<u>\$ 21,176,269</u>

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

Incorporated Village of Freeport, New York

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Funds
 Year Ended February 28, 2015

	Business-type Activities - Enterprise Funds		
	Water	Electric	Totals
OPERATING REVENUES			
Charges for services	\$ 6,658,995	\$ 31,995,841	\$ 38,654,836
Interest and penalties	473,403	-	473,403
Miscellaneous	-	711,022	711,022
Total Operating Revenues	7,132,398	32,706,863	39,839,261
OPERATING EXPENSES			
Power generation	-	13,702,327	13,702,327
Power and pumping	2,028,066	-	2,028,066
Transmission and distribution services	216,651	1,515,114	1,731,765
Street lighting and signal system	-	98,824	98,824
Customer counting and collection	-	919,374	919,374
Administrative and general	1,993,899	8,015,746	10,009,645
Depreciation and amortization	755,517	2,997,104	3,752,621
Charges in lieu of taxes	1,344,150	3,807,000	5,151,150
Miscellaneous	-	378,152	378,152
Total Operating Expenses	6,338,283	31,433,641	37,771,924
Income from Operations	794,115	1,273,222	2,067,337
NON-OPERATING REVENUES (EXPENSES)			
Interest income	25,335	4,458	29,793
Interest expense	(461,159)	(2,358,656)	(2,819,815)
Costs to be covered from future revenues	258,475	1,221,224	1,479,699
Total Non-Operating Expenses	(177,349)	(1,132,974)	(1,310,323)
Change in Net Position	616,766	140,248	757,014
NET POSITION			
Beginning of Year, as reported	9,411,771	11,168,741	20,580,512
Prior Period Adjustment	(270,990)	109,733	(161,257)
Beginning of Year, as restated	9,140,781	11,278,474	20,419,255
End of Year	\$ 9,757,547	\$ 11,418,722	\$ 21,176,269

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

Incorporated Village of Freeport, New York

Statement of Cash Flows
 Proprietary Funds
 Year Ended February 28, 2015

	Business-type Activities - Enterprise Funds		
	Water	Electric	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from charges for services	\$ 7,299,166	\$ 31,560,819	\$ 38,859,985
Cash received from interfund services provided	-	2,339,705	2,339,705
Cash payments for goods, services and compensation	(5,414,578)	(22,242,434)	(27,657,012)
Cash payments for interfund services used	(597,167)	(3,037,504)	(3,634,671)
Net Cash From Operating Activities	1,287,421	8,620,586	9,908,007
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Bonds issued	1,123,000	-	1,123,000
Principal paid on bonds	(1,005,396)	(3,146,634)	(4,152,030)
Principal paid on bond anticipation notes	(1,398,000)	-	(1,398,000)
Principal paid on loan	-	(62,305)	(62,305)
Interest paid on indebtedness	(403,447)	(2,411,684)	(2,815,131)
Acquisition and construction of capital assets	(22,869)	(539,824)	(562,693)
Net Cash From Capital and Related Financing Activities	(1,706,712)	(6,160,447)	(7,867,159)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of investments	(95)	(2,253,704)	(2,253,799)
Interest income	25,335	4,458	29,793
Net Cash From Investing Activities	25,240	(2,249,246)	(2,224,006)
Net Change in Cash and Equivalents	(394,051)	210,893	(183,158)
CASH AND EQUIVALENTS			
Beginning of Year	617,119	3,503,297	4,120,416
End of Year	\$ 223,068	\$ 3,714,190	\$ 3,937,258
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES			
Income from operations	\$ 794,115	\$ 1,273,222	\$ 2,067,337
Adjustments to reconcile income from operations to net cash from operating activities			
Depreciation and amortization	755,517	2,997,104	3,752,621
Changes in operating assets and liabilities			
Accounts receivable	166,768	1,066,094	1,232,862
Due from other funds	(1,332,068)	(91,443)	(1,423,511)
Due from other governments	-	143,140	143,140
Inventories	15,565	(39,260)	(23,695)
Prepaid expenses	(16,400)	(95,954)	(112,354)
Regulatory deposit	-	139,962	139,962
Accounts payable	(82,940)	(980,086)	(1,063,026)
Accrued liabilities	9,274	-	9,274
Due to other funds	746,983	769,496	1,516,479
Customer deposits	-	75,870	75,870
Regulatory liabilities	-	1,796,438	1,796,438
Pension obligations	19,923	128,179	148,102
Compensated absences	(47,791)	216,600	168,809
Other post employment benefit obligations payable	258,475	1,221,224	1,479,699
Net Cash from Operating Activities	\$ 1,287,421	\$ 8,620,586	\$ 9,908,007
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Refunding bonds issued	\$ 1,137,849	\$ 206,148	\$ 1,343,997
Issuance premium	78,883	14,292	93,175
Payment to refunded bond escrow agent	(1,198,636)	(217,161)	(1,415,797)
Refunding bond issuance costs	(18,096)	(3,279)	(21,375)

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

Incorporated Village of Freeport, New York

Statement of Assets and Liabilities

Fiduciary Fund

February 28, 2015

	<u>Agency</u>
ASSETS	
Cash and equivalents	\$ 213,765
Investments	14,575
Investments - Service awards program	5,177,680
Accounts receivable	<u>1,083,370</u>
 Total Assets	 <u><u>\$ 6,489,390</u></u>
 LIABILITIES	
Accounts payable	\$ 702,396
Deposits	541,527
Employee payroll deductions	67,787
Length of service award program payable	<u>5,177,680</u>
 Total Liabilities	 <u><u>\$ 6,489,390</u></u>

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

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 28, 2015

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 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. On May 6, 2013, the Village entered into an Inter-municipal Agreement with the Agency. The Village advances certain salary and fringe benefit costs of the Agency and then charges them back. 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 2E.

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.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 28, 2015

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:

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2015

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.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 28, 2015

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, certain claims 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 not covered by depository insurance were not exposed to custodial credit risk at May 31, 2015.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 28, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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.

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

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.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2015

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 28, 2015, 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 revenues 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 28, 2015. 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 28, 2015 were determined as follows:

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2015

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	\$ 443,311	\$ 1,897,712
Costs included in current year rates		
Amount of current year payments	<u>(184,836)</u>	<u>(676,488)</u>
Costs to be recovered from future revenues	258,475	1,221,224
Beginning	<u>2,214,582</u>	<u>8,356,970</u>
Ending	<u>\$ 2,473,057</u>	<u>\$ 9,578,194</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 28, 2015, the Village's regulatory assets and liabilities, as reported in the Electric Fund, were \$506,687 and \$6,384,739, 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 28, 2015

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>
Land Improvements	20
Buildings and Improvements	20-50
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 \$236,321 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.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 28, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

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 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 \$517,852 and \$1,885,913 in the government-wide and proprietary fund Statements of Net Position. These amounts result from the difference in the carrying value of the refunded debt and its reacquisition price. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt.

The Village has reported deferred inflows of resources of \$593,946 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.

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

Fund Balances - Generally, fund balance represents the difference between current assets and deferred outflows of resources and current liabilities and deferred inflows of resources. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Village is bound to honor constraints on the

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 28, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

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 12, 2016.

Note 2 - Stewardship, Compliance and Accountability

A. Budgetary Data

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

- a) Prior to December 20th, the budget officer submits to the Village Clerk and the Village Board of Trustees, a tentative operating budget for the fiscal year commencing the following March 1st. The tentative budget includes proposed expenditures and the means of financing for the General and Capital Projects funds.
- b) The Board of Trustees conducts a public hearing on the tentative budget to obtain taxpayer comments on or before January 15th.
- c) After the public hearing and on or before February 1st, the Trustees meet to consider and adopt the budget, at which time they are required to file the document with the Village Clerk.
- d) Formal budgetary integration is employed during the year as a management control device for the General fund.
- e) The budget for the General Fund are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2015

Note 2 - Stewardship, Compliance and Accountability (Continued)

- 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 2015 fiscal year was \$88,399,007 which exceeded the actual levy by \$45,741,405.

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 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

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2015

Note 2 - Stewardship, Compliance and Accountability (Continued)

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 \$530,327 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. Prior Period Adjustments

The Village, during the 2014-15 fiscal year, determined that depreciation expense and related accumulated depreciation had been incorrectly calculated in the government-wide and Water Fund statements of net position. As a result, prior period adjustments in the amounts of \$2,196,553 and \$139,126 were necessary.

The Village, during the 2014-15 fiscal year, determined that amounts due to New York State under the retirement stabilization program were understated in the government-wide, Water and Electric funds. As a result, prior period adjustments in the amounts of \$2,049,717, \$131,864 and \$564,619 were necessary.

The Village, during the 2014-15 fiscal year, determined that Electric Fund regulatory liabilities relating to transmission congestion contracts (TCC's) were overstated in the amount of \$674,352.

The Village, during the 2014-15 fiscal year, determined that deferred tax revenues in the General Fund were not reversed on the government-wide statement of net position. A prior period adjustment in the amount of \$654,458 was recorded as a result.

Total prior period adjustments are summarized as follows:

	Government- Wide	Fund Level	
		Water	Electric
Net Position/Fund Balance, as reported	\$ (57,560,826)	\$ 9,411,771	\$ 11,168,741
Accumulated depreciation	(2,196,553)	(139,126)	-
Pension obligation	(2,049,717)	(131,864)	(564,619)
Regulatory liabilities	-	-	674,352
Deferred tax revenues	654,458	-	-
Total Prior Period Adjustments	(3,591,812)	(270,990)	109,733
Net Position/Fund Balance, as restated	\$ (61,152,638)	\$ 9,140,781	\$ 11,278,474

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2015

Note 2 - Stewardship, Compliance and Accountability (Continued)

E. 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 28, 2015 were as follows:

	<u>Due From</u>	<u>Due To</u>
Governmental Activities		
General	\$ 5,437,310	\$ 4,929,449
Capital Projects	3,190,270	2,827,489
Business-type Activities		
Water	1,605,692	1,888,230
Electric	687,573	1,275,677
	<u>\$ 10,920,845</u>	<u>\$ 10,920,845</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, 2014 As Reported</u>	<u>Prior Period Adjustment</u>	<u>Balance March 1, 2014 As Restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance February 28, 2015</u>
Governmental Activities:						
Capital Assets, not being depreciated						
Land	\$ 3,749,750	\$ -	\$ 3,749,750	\$ -	\$ 185,000	\$ 3,564,750
Construction-in-progress	159,158	-	159,158	469,398	159,158	469,398
Total Capital Assets, not being depreciated	<u>\$ 3,908,908</u>	<u>\$ -</u>	<u>\$ 3,908,908</u>	<u>\$ 469,398</u>	<u>\$ 344,158</u>	<u>\$ 4,034,148</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued) February 28, 2015

Note 3 - Detailed Notes on All Funds (Continued)

Class	Balance March 1, 2014 As Reported	Prior Period Adjustment	Balance March 1, 2014 As Restated	Additions	Deletions	Balance February 28, 2015
Capital Assets, being depreciated						
Buildings	\$ 13,567,717	\$ -	\$ 13,567,717	\$ 177,744	\$ -	\$ 13,745,461
Improvements Other Than Buildings	16,503,492	-	16,503,492	125,413	-	16,628,905
Machinery and Equipment	14,022,282	43,058	14,065,340	410,220	64,823	14,410,737
Intangibles - software	1,147,378	(43,058)	1,104,320	108,298	-	1,212,618
Infrastructure	68,237,546	-	68,237,546	1,238,660	-	69,476,206
Total Capital Assets, being depreciated	113,478,415	-	113,478,415	2,060,335	64,823	115,473,927
Less Accumulated Depreciation for						
Buildings	7,428,099	(20,885)	7,407,214	428,476	-	7,835,690
Improvements Other Than Buildings	8,761,705	(229,316)	8,532,389	625,597	-	9,157,986
Machinery and Equipment	11,337,030	(492,255)	10,844,775	579,366	64,823	11,359,318
Intangibles - software	229,476	57,504	286,980	116,807	-	403,787
Infrastructure	30,912,487	2,881,505	33,793,992	2,221,950	-	36,015,942
Total Accumulated Depreciation	58,668,797	2,196,553	60,865,350	3,972,196	64,823	64,772,723
Total Capital Assets, being depreciated, net	\$ 54,809,618	\$ (2,196,553)	\$ 52,613,065	\$ (1,911,861)	\$ -	\$ 50,701,204
Governmental Capital Assets, net	\$ 58,718,526	\$ (2,196,553)	\$ 56,521,973	\$ (1,442,463)	\$ 344,158	\$ 54,735,352
Water Fund						
Capital Assets, not being depreciated						
Land	\$ 85,981	\$ -	\$ 85,981	\$ -	\$ -	\$ 85,981
Capital Assets, being depreciated						
Buildings	\$ 9,447,075	\$ -	\$ 9,447,075	\$ -	\$ -	\$ 9,447,075
Improvements Other Than Buildings	2,003,967	-	2,003,967	-	-	2,003,967
Machinery and Equipment	832,668	-	832,668	22,869	-	855,537
Infrastructure	19,685,634	-	19,685,634	-	-	19,685,634
Total Capital Assets, being depreciated	31,969,344	-	31,969,344	22,869	-	31,992,213
Less Accumulated Depreciation for						
Buildings	1,748,947	110,356	1,859,303	185,225	-	2,044,528
Improvements Other Than Buildings	703,605	(20,758)	682,847	100,198	-	783,045
Machinery and Equipment	768,737	(5,189)	763,548	18,511	-	782,059
Infrastructure	9,782,841	54,717	9,837,558	451,583	-	10,289,141
Total Accumulated Depreciation	13,004,130	139,126	13,143,256	755,517	-	13,898,773
Total Capital Assets, being depreciated, net	\$ 18,965,214	\$ (139,126)	\$ 18,826,088	\$ (732,648)	\$ -	\$ 18,093,440
Water Fund Capital Assets, net	\$ 19,051,195	\$ (139,126)	\$ 18,912,069	\$ (732,648)	\$ -	\$ 18,179,421

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2015

Note 3 - Detailed Notes on All Funds (Continued)

Class	Balance March 1, 2014 As Reported	Prior Period Adjustment	Balance March 1, 2014 As Restated	Additions	Deletions	Balance February 28, 2015
Electric Fund						
Capital Assets, not being depreciated						
Land	\$ 84,239	\$ -	\$ 84,239	\$ -	\$ -	\$ 84,239
Construction-in-progress	273,426	-	273,426	-	249,795	23,631
Total Capital Assets, not being depreciated	<u>\$ 357,665</u>	<u>\$ -</u>	<u>\$ 357,665</u>	<u>\$ -</u>	<u>\$ 249,795</u>	<u>\$ 107,870</u>
Capital Assets, being depreciated						
Buildings	\$ 11,832,927	\$ -	\$ 11,832,927	\$ -	\$ -	\$ 11,832,927
Improvements Other Than Buildings	-	-	-	-	-	-
Machinery and Equipment	106,100,025	-	106,100,025	789,619	493,742	106,395,902
Infrastructure	-	-	-	-	-	-
Total Capital Assets, being depreciated	<u>117,932,952</u>	<u>-</u>	<u>117,932,952</u>	<u>789,619</u>	<u>493,742</u>	<u>118,228,829</u>
Less Accumulated Depreciation for						
Buildings	5,949,157	-	5,949,157	93,570	-	6,042,727
Improvements Other Than Buildings	-	-	-	-	-	-
Machinery and Equipment	43,537,276	-	43,537,276	2,903,534	493,742	45,947,068
Infrastructure	-	-	-	-	-	-
Total Accumulated Depreciation	<u>49,486,433</u>	<u>-</u>	<u>49,486,433</u>	<u>2,997,104</u>	<u>493,742</u>	<u>51,989,795</u>
Total Capital Assets, being depreciated, net	<u>\$ 68,446,519</u>	<u>\$ -</u>	<u>\$ 68,446,519</u>	<u>\$ (2,207,485)</u>	<u>\$ -</u>	<u>\$ 66,239,034</u>
Electric Fund Capital Assets, net	<u>\$ 68,804,184</u>	<u>\$ -</u>	<u>\$ 68,804,184</u>	<u>\$ (2,207,485)</u>	<u>\$ 249,795</u>	<u>\$ 68,346,904</u>

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

Governmental Activities:	
General Government Support	\$ 170,805
Public Safety	611,321
Transportation	1,838,332
Culture and Recreation	708,243
Home and Community Services	643,496
Total Depreciation Expense - Governmental Activities	<u>\$ 3,972,196</u>
Business-Type Activities:	
Water Fund	\$ 755,517
Electric Fund	2,997,104
Total Depreciation Expense - Business-Type Activities	<u>\$ 3,752,621</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2015

Note 3 - Detailed Notes on All Funds (Continued)

C. Accrued Liabilities

Accrued liabilities at February 28, 2015 were as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Payroll and employee benefits	\$ 142,597	\$ -	\$ 142,597
Other	<u>239,728</u>	<u>9,274</u>	<u>249,002</u>
Total Accrued Liabilities	<u>\$ 382,325</u>	<u>\$ 9,274</u>	<u>\$ 391,599</u>

D. Pension Plans

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") ("Systems"). These Systems are cost-sharing multiple-employer defined benefit pension plans. The Systems provide retirement, disability and death benefits to plan members. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. That report may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, New York 12224.

Funding Policy - The Systems are non-contributory except for employees in tiers 3 and 4 that have less than ten years of service, who contribute 3% of their salary, employees in tier 5 who also contribute 3% of their salary without regard to their years of service and employees in tier 6 who contribute between 3% and 6% depending on salary levels and also without regard to years of service. Contributions are certified by the State Comptroller and expressed as a percentage of members' salary. Contribution rates are actuarially determined and based upon membership tier and plan. Contributions consist of a life insurance portion (GTLI) and regular pension contributions. Contribution rates for the plans' year ended March 31, 2015 are as follows:

	<u>Tier/Plan</u>	<u>Rate</u>	
ERS	2 75I	25.3	%
	3 A14	20.3	
	4 A15	20.3	
	5 A15	16.6	
	6 A15	10.9	
PFRS	2 384E	27.6	%
	5 384E	22.3/26.3	
	6 384D	15.4	
	6 384E	15.6	

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2015

Note 3 - Detailed Notes on All Funds (Continued)

Contributions made to the Systems for the current and two preceding years were as follows:

	<u>ERS</u>	<u>PFRS</u>
2015	\$ 2,350,851	\$ 2,994,695
2014	2,629,230	3,350,545
2013	2,001,844	3,042,194

These contributions were equal to 100% of the actuarially required contributions for each respective fiscal year.

The current PFRS contribution for the Village was charged to the General Fund. The current ERS contributions were charged as follows: \$1,206,393 to the General Fund, \$246,026 to the Water Fund and \$898,432 to the Electric Fund.

E. 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. 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, 2014:

<u>Group</u>	
Retirees and beneficiaries currently receiving benefits	128
Active	266
Inactive/terminated non-vested	32
Terminated members entitled to but not yet receiving benefits	100

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2015

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 6% and there are no cost of living adjustments.

F. Short-Term Capital Borrowings

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

Purpose	Original Issue Date	Maturity Date	Interest Rate	Balance March 1, 2014	New Issues	Redemptions	Balance at February 28, 2015
Governmental Funds							
Emergency repairs, improvements to water and sewer system	5/06/2014	-	- %	\$ 315,000	\$ -	\$ 315,000	\$ -
Acquisition of street sweeper	5/06/2014	-	-	77,000	-	77,000	-
Installation of storm water treatment devices	5/06/2014	5/06/2015	1.25	465,000	-	30,000	435,000
Various public improvements	5/06/2014	5/06/2015	1.25	168,300	-	78,300	90,000
Purchase of replacement motor vehicles and equipment	5/06/2014	5/06/2015	1.25	1,210,000	-	160,000	1,050,000
Reconstruction and repaving of roads including reconstruction and replacement of water mains and sewer lines	5/06/2014	5/06/2015	1.25	2,649,500	-	-	2,649,500
Rehabilitation, renovation, improvement and equipping of fire department buildings and facilities	2/10/2015	2/10/2016	1.25	400,000	-	100,000	300,000
Acquisition and installation of multiple space parking meters	2/10/2015	2/10/2016	1.25	65,000	-	-	65,000
Acquisition, programming and installation of radio equipment	2/10/2015	2/10/2016	1.25	95,000	-	35,000	60,000
Planning and construction of water trails	2/10/2015	-	-	75,000	-	75,000	-
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
Total				\$ 5,519,800	\$ 527,000	\$ 870,300	\$ 5,176,500
Business-type Activities - Water Fund							
Reconstruction and repaving of roads including the reconstruction and replacement of water and sewer lines	5/06/2014	5/06/2015	1.25 %	1,376,500	-	1,240,000	136,500
Reconstruction and repaving of roads including the reconstruction and replacement of water and sewer lines	2/10/2015	-	-	158,000	-	158,000	-
Total				\$ 1,534,500	\$ -	\$ 1,398,000	\$ 136,500

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 \$73,668 was recorded in the General Fund and the Government-wide financial statements for governmental activities. Interest expense of \$6,253 was recorded in the Water Fund.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 28, 2015

Note 3 - Detailed Notes on All Funds (Continued)

G. Long-Term Liabilities

The following table summarizes changes in the Village's long-term indebtedness for the year ended February 28, 2015:

	Balance March 1, 2014, as Restated(1)	New Issues/ Additions	Maturities and/or Payments	Balance February 28, 2015	Due Within One-Year
Governmental Activities					
Bonds payable	\$ 48,510,259	\$ 12,948,003	\$ 12,916,119	\$ 48,542,143	\$ 5,547,454
Unamortized premium on bonds	161,358	495,410	85,395	571,373	-
	<u>48,671,617</u>	<u>13,443,413</u>	<u>13,001,514</u>	<u>49,113,516</u>	<u>5,547,454</u>
Bond anticipation notes payable	5,500,000	3,770,000	5,500,000	3,770,000	3,770,000
Claims Payable	6,320,939	1,039,562	6,246,298	1,114,203	111,000
Tax certiorari payable	6,614,942	962,432	2,856,756	4,720,618	472,000
Compensated absences	17,665,329	2,410,025	746,695	19,328,659	1,932,000
Pension obligations	4,671,012	1,042,740	710,996	5,002,756	654,355
Other post employment benefit obligations payable	35,827,443	7,117,055	2,670,607	40,273,891	-
Governmental Activities Long-Term Liabilities	<u>\$ 125,271,282</u>	<u>\$ 29,785,227</u>	<u>\$ 31,732,866</u>	<u>\$ 123,323,643</u>	<u>\$ 12,486,809</u>
Business-Type Activities					
Bonds payable	\$ 69,589,748	\$ 2,466,997	\$ 5,553,888	\$ 66,502,857	\$ 4,367,546
Unamortized premium on bonds	2,463,260	93,175	142,578	2,413,857	-
	<u>72,053,008</u>	<u>2,560,172</u>	<u>5,696,466</u>	<u>68,916,714</u>	<u>4,367,546</u>
Loans payable	62,305	-	62,305	-	-
Compensated absences	2,764,240	337,618	168,809	2,933,049	293,000
Pension obligations	1,551,857	305,222	157,120	1,699,959	180,741
Other post employment benefit obligations payable	10,571,552	2,341,023	861,324	12,051,251	-
Business - Type Activities Long-Term Liabilities	<u>\$ 87,002,962</u>	<u>\$ 5,544,035</u>	<u>\$ 6,946,024</u>	<u>\$ 85,600,973</u>	<u>\$ 4,841,287</u>

(1) See Prior Period Adjustments Note 2,D.

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

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2015

Note 3 - Detailed Notes on All Funds (Continued)

Bonds Payable

Bonds payable at February 28, 2015 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 Series A	2005	14,275,000	7/15/2025	4.000-4.250 %	4,508,463	4,560,098	261,439	9,330,000
2005 Refunding	2005	11,615,000	5/01/2018	3.375-5.000	1,119,000	368,000	3,728,000	5,215,000
2006 Tax certioraris	2006	1,000,000	8/01/2016	4.500	250,000	-	-	250,000
2008 Series A	2008	23,693,927	5/01/2025	4.000-4.250	12,642,161	952,879	3,974,960	17,570,000
2009 Series B	2008	2,715,000	5/01/2023	5.750-5.875	-	-	1,940,000	1,940,000
2008 Series C	2008	3,515,000	10/15/2028	4.750-5.000	1,893,490	-	981,510	2,875,000
2011 Series A	2011	4,680,000	5/01/2022	3.000-3.625	2,900,000	735,000	-	3,635,000
2011 Series A - Refunding	2011	4,565,000	3/15/2018	1.500-2.250	2,000,093	382,311	92,596	2,475,000
2011 Series B - Refunding	2011	8,350,000	6/01/2024	1.500-4.000	4,125,933	1,583,245	1,130,822	6,840,000
2012 Series A - Refunding	2012	48,680,000	1/15/2032	2.000-5.000	740,000	-	43,345,000	44,085,000
2013 Series A	2013	5,965,000	5/01/2022	1.000-2.000	5,415,000	-	-	5,415,000
2014 Series A	2014	6,925,000	5/02/2028	2.000-3.000	5,802,000	1,123,000	-	6,925,000
2014 Series A - Refunding	2014	8,490,000	5/03/2024	2.000-5.000	7,146,003	1,137,849	206,148	8,490,000
					<u>\$ 48,542,143</u>	<u>\$ 10,842,382</u>	<u>\$ 55,660,475</u>	<u>\$ 115,045,000</u>

Interest expenditures/expense of \$4,500,011 was recorded in the fund financial statements, as detailed below. Interest expense of \$1,719,236 was recorded in the government-wide financial statements for governmental activities.

Fund	Amount
Governmental Funds	
General	\$ 1,686,449
Proprietary Funds	
Water	454,906
Electric	<u>2,358,656</u>
	<u>\$ 4,500,011</u>

Loan Payable

The Village entered into a long term financing agreement with New York Power Authority ("NYPA") on July 7, 2014 to finance the cost of a Hybrid Electric Budget truck. This loan is non-interest bearing and is payable in equal monthly installments of \$5,200 with maturity scheduled for April 2015. The loan balance was satisfied in 2015.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2015

Note 3 - Detailed Notes on All Funds (Continued)

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, 2014	New Issues	Redemptions	Balance at February 28, 2015
Tax certiorari/claims and judgments	5/06/2014	-	0.67 %	\$ 4,000,000	\$ -	\$ 4,000,000	\$ -
Tax certiorari/claims and judgments	5/06/2014	-	1.50	1,500,000	-	1,500,000	-
Tax certiorari/claims and judgments	2/10/2015	5/06/2015	1.00	-	920,000	-	920,000
Tax certiorari/claims and judgments	2/10/2015	5/06/2015	1.00	-	1,150,000	-	1,150,000
Tax certiorari/claims and judgments	2/10/2015	5/06/2015	1.00	-	1,700,000	-	1,700,000
Total				<u>\$ 5,500,000</u>	<u>\$ 3,770,000</u>	<u>\$ 5,500,000</u>	<u>\$ 3,770,000</u>

The Village, pursuant to FASB 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 \$38,102 was recorded in the fund financial statements in the General Fund and the government-wide financial statements for governmental activities.

Payments to Maturity

The annual requirements to amortize all bonded debt outstanding as of February 28, 2015, including interest payments of \$30,096,857 are as follows:

Year Ending February 28,	Governmental Activities			
	Bonds Payable		Bond Anticipation Notes Payable	
	Principal	Interest	Principal	Interest
2016	\$ 5,547,454	\$ 1,666,475	\$ 3,770,000	\$ 8,901
2017	5,785,063	1,410,721	-	-
2018	5,529,070	1,215,369	-	-
2019	5,522,252	1,029,013	-	-
2020	3,846,000	870,427	-	-
2021-2025	18,098,774	2,397,078	-	-
2026-2030	4,213,530	218,467	-	-
2031-2032	-	-	-	-
	<u>\$ 48,542,143</u>	<u>\$ 8,807,550</u>	<u>\$ 3,770,000</u>	<u>\$ 8,901</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2015

Note 3 - Detailed Notes on All Funds (Continued)

Year Ending February 28,	Business-Type Activities			
	Water Fund		Electric Fund	
	Bonds Payable		Bonds Payable	
	Principal	Interest	Principal	Interest
2016	\$ 1,091,280	\$ 385,601	\$ 3,276,266	\$ 2,263,496
2017	1,130,024	333,889	3,409,913	2,141,270
2018	1,174,607	295,016	3,591,322	1,977,395
2019	1,191,233	255,282	3,766,516	1,805,604
2020	893,774	219,946	2,815,225	1,647,814
2021-2025	4,487,673	592,318	16,133,545	6,047,835
2026-2030	873,791	24,443	15,802,680	2,908,597
2031-2032	-	-	6,865,008	381,900
	<u>\$ 10,842,382</u>	<u>\$ 2,106,495</u>	<u>\$ 55,660,475</u>	<u>\$ 19,173,911</u>

Year Ending February 28,	Total	
	Principal	Interest
2016	\$ 13,685,000	\$ 4,324,473
2017	10,325,000	3,885,880
2018	10,294,999	3,487,780
2019	10,480,001	3,089,899
2020	7,554,999	2,738,187
2021-2025	38,719,992	9,037,231
2026-2030	20,890,001	3,151,507
2031-2032	6,865,008	381,900
	<u>\$ 118,815,000</u>	<u>\$ 30,096,857</u>

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 2015 fiscal year, the Village issued \$7,146,003 in the General Fund, \$1,137,849 in the Water Fund and \$206,148 in the Electric Fund in refunding serial bonds with interest rates ranging from 2.0% to 5.0%, depending on maturity. The proceeds were used to advance refund \$5,385,000 of outstanding 2004 refunding serial bonds bearing interest at a rate ranging from 3.5 – 5.0% and \$3,475,000 of outstanding 2004 various purpose serial bonds, bearing interest at rates ranging from 3.75 – 4.25%. The net proceeds of \$7,527,763 (including \$495,410 of issuance premium and after \$113,650 in underwriting fees and other issuance costs) in the General Fund, net proceeds of \$1,198,636 (including \$78,883 of issuance premium and after \$18,096 in underwriting fees and other issuance costs) in the Water Fund and net proceeds of \$217,161 (including \$14,292 of issuance premium and after \$3,279 in underwriting fees and other issuance

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 28, 2015

Note 3 - Detailed Notes on All Funds (Continued)

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 2004 refunding serial bonds and 2004 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 \$69,614 in the governmental activities, \$13,055 in the Water Fund and \$882 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 2004 refunding serial bonds and 2004 serial bonds to reduce its total debt service payments over 10 years by \$600,861 and to obtain a net present value economic gain of \$592,129. As of February 28, 2015, 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 28, 2015, 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 28, 2015

Note 3 - Detailed Notes on All Funds (Continued)

An analysis of the unpaid claim liabilities is as follows:

	Workers' Compensation Benefits		General Liability	
	2015	2014	2015	2014
Balance - Beginning of Year	\$ 862,832	\$ 842,656	\$ 5,458,107	\$ 4,380,111
Provision for Claims and Claims Adjustment Expenses	1,039,562	859,247	-	2,291,996
Claims and Claims Adjustment Expenses Paid	<u>(1,479,630)</u>	<u>(839,071)</u>	<u>(4,766,668)</u>	<u>(1,214,000)</u>
Balance - End of Year	<u>\$ 422,764</u>	<u>\$ 862,832</u>	<u>\$ 691,439</u>	<u>\$ 5,458,107</u>
Due Within One Year	<u>\$ 42,000</u>	<u>\$ 86,000</u>	<u>\$ 69,000</u>	<u>\$ 546,000</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 \$4,720,618 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 28, 2015, the value of accumulated vacation time and sick leave for governmental and business-type activities was \$22,261,708.

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 28, 2015

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
2005 ERS	\$ 146,027	\$ 51,069	\$ -	\$ -
2005 PFRS	358,859	125,501	-	-
2006 ERS	35,654	9,120	9,576	9,576
2006 PFRS	298,834	76,440	80,261	80,261
2007 PFRS	363,562	72,540	156,141	76,167
2011 ERS	219,327	21,930	156,621	23,026
2012 ERS	810,977	73,555	598,191	76,313
2012 PFRS	473,278	42,926	349,098	44,536
2013 ERS	1,066,045	95,781	877,272	98,655
2013 PFRS	745,692	66,998	613,647	69,008
2014 ERS	1,498,544	126,737	1,371,807	131,383
2014 PFRS	1,247,658	105,519	1,142,139	109,398
2015 ERS	658,090	-	658,090	57,010
2015 PFRS	689,872	-	689,872	59,763
	<u>\$ 8,612,419</u>	<u>\$ 868,116</u>	<u>\$ 6,702,715</u>	<u>\$ 835,096</u>

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

Fund	ERS	PFRS	Total
General	\$ 221,072	\$ 489,924	\$ 710,996
Water	37,265	-	37,265
Electric	119,855	-	119,855
	<u>\$ 378,192</u>	<u>\$ 489,924</u>	<u>\$ 868,116</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2015

Note 3 - Detailed Notes on All Funds (Continued)

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.

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

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

<u>Year Ended</u> <u>February 28,</u>	<u>Pre- 65</u> <u>Rate</u>
2015	8.00 %
2016	7.00
2017	6.00
2018+	5.00

The amortization basis is the level percentage of payroll method with an open amortization approach with 26 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 method.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2015

Note 3 - Detailed Notes on All Funds (Continued)

The number of participants as of February 28, 2015 was as follows:

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

	Governmental Funds	Business-type Activities		Total
		Water Funds	Electric Funds	
Amortization Component:				
Actuarial Accrued Liability as of March 1, 2014	\$ 96,209,715	\$ 6,315,440	\$ 25,201,393	\$ 127,726,548
Assets at Market Value	-	-	-	-
Unfunded Actuarial Accrued Liability	<u>\$ 96,209,715</u>	<u>\$ 6,315,440</u>	<u>\$ 25,201,393</u>	<u>\$ 127,726,548</u>
Covered Payroll (active plan members)	<u>\$ 27,020,894</u>	<u>\$ 1,520,810</u>	<u>\$ 6,825,959</u>	<u>\$ 35,367,663</u>
UAAL as a Percentage of Covered Payroll	<u>356.06%</u>	<u>415.27%</u>	<u>369.20%</u>	<u>361.14%</u>
Annual Required Contribution	\$ 7,405,503	\$ 461,141	\$ 1,964,994	\$ 9,831,638
Interest on OPEB obligation	1,433,098	88,583	334,279	1,855,960
Adjustment to Annual Required Contribution	<u>(1,721,546)</u>	<u>(106,413)</u>	<u>(401,561)</u>	<u>(2,229,520)</u>
Annual OPEB Cost	7,117,055	443,311	1,897,712	9,458,078
Contributions Made	<u>(2,670,607)</u>	<u>(184,836)</u>	<u>(676,488)</u>	<u>(3,531,931)</u>
Increase in Net OPEB Cost	4,446,448	258,475	1,221,224	5,926,147
Net OPEB Cost at February 28, 2014	<u>35,827,443</u>	<u>2,214,582</u>	<u>8,356,970</u>	<u>46,398,995</u>
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>

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
2015	\$ 9,458,078	37.34 %	\$ 52,325,142
2014	11,185,294	33.87	46,398,995
2013	10,789,795	30.73	39,002,597

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2015

Note 3 - Detailed Notes on All Funds (Continued)

H. Revenues and Expenditures

Charges in Lieu of Taxes

The proprietary funds of the Village do not pay property taxes on their facilities. Instead, they make payments to the General Fund in lieu of taxes. The amounts charged to the Water and Electric Funds for the years ending February 28, 2015 were \$ 1,344,150 and \$3,807,000, 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:

Transfers Out	Transfers In		Total
	General Fund	Capital Projects Fund	
General Fund	\$ -	458,300	\$ 458,300
Capital Projects Fund	34,480	-	34,480
	<u>\$ 34,480</u>	<u>\$ 458,300</u>	<u>\$ 492,780</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 Funds as projects with remaining balances are completed.

I. Net Position

The components of net position are detailed below:

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

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

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

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2015

Note 3 - Detailed Notes on All Funds (Continued)

J. Fund Balances

	2015		
	General Fund	Capital Projects Fund	Total
Nonspendable:			
Long term receivables	\$ 1,529,080	\$ -	\$ 1,529,080
Inventories	379,298	-	379,298
Prepaid expenditures	368,658	-	368,658
Total Nonspendable	<u>2,277,036</u>	<u>-</u>	<u>2,277,036</u>
Restricted:			
Debt Service	<u>481,839</u>	<u>1,703,061</u>	<u>2,184,900</u>
Assigned:			
Purchases on order:			
General government support	<u>51,908</u>	<u>-</u>	<u>51,908</u>
Unassigned	<u>5,726,180</u>	<u>(2,233,388)</u>	<u>3,492,792</u>
Total Fund Balances	<u>\$ 8,536,963</u>	<u>\$ (530,327)</u>	<u>\$ 8,006,636</u>

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 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.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2015

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. 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.

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 28, 2015 were \$422,764 and \$691,439, respectively.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Concluded)
February 28, 2015

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

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 6, 2015, issued a \$8,564,000 bond anticipation note to refinance a currently outstanding bond anticipation note in the amount of \$8,403,000 after \$2,190,000 in principal payments and including \$2,351,000 of new money. The note is due on May 4, 2016 with interest at .53%.

The Village, in September 2015, issued refunding serial bonds in the amount of \$8,390,000, the proceeds of which will be used to retire \$8,640,000 in serial bonds. The refunding bonds mature annually through July 2025 and bear interest at rate ranging from 1-5% depending on maturity.

Incorporated Village of Freeport, New York

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

Primary Government

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, 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
March 1, 2012	-	128,432,634	128,432,634	-	35,529,638	361.48

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Incorporated Village of Freeport, New York

General Fund
Balance Sheet
February 28, 2015

ASSETS

Cash and equivalents	\$ 1,699,494
Investments	<u>5,677,272</u>
Taxes receivable	<u>623,047</u>
Other receivables	
Accounts, net of allowance for doubtful accounts of \$788,213	940,230
State and Federal aid	174,843
Due from other funds	5,437,310
Due from other governments	127,412
Due from component unit	<u>1,439,638</u>
	<u>8,119,433</u>
Inventories	<u>379,298</u>
Prepaid expenditures	<u>368,658</u>
Total Assets	<u>\$ 16,867,202</u>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES
AND FUND BALANCE**

Liabilities	
Accounts payable	\$ 2,427,743
Accrued liabilities	286,586
Due to other funds	4,929,449
Due to other governments	9,995
Due to component unit	<u>82,520</u>
Total Liabilities	7,736,293
Deferred inflows of resources	
Deferred tax revenues	<u>593,946</u>
Total Liabilities and Deferred Inflows of Resources	<u>8,330,239</u>
Fund balance	
Nonspendable	2,277,036
Restricted	481,839
Assigned	51,908
Unassigned	<u>5,726,180</u>
Total Fund Balance	<u>8,536,963</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 16,867,202</u>

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Incorporated Village of Freeport, New York

General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Year Ended February 28, 2015

	Original Budget (1)	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Real property taxes	\$ 42,657,602	\$ 42,657,602	\$ 42,647,606	\$ (9,996)
Other tax items	6,008,521	6,008,521	5,958,140	(50,381)
Non-property taxes	979,000	979,000	1,026,869	47,869
Departmental income	7,306,170	7,306,170	7,207,769	(98,401)
Intergovernmental revenues	3,000	3,000	4,952	1,952
Interfund revenues	1,088,000	1,088,000	1,088,000	-
Use of money and property	1,261,069	1,261,069	1,379,395	118,326
Licenses and permits	987,000	987,000	1,062,483	75,483
Fines and forfeitures	1,800,000	1,800,000	1,504,312	(295,688)
State aid	1,500,133	1,500,133	1,476,870	(23,263)
Federal aid	75,000	75,000	138,597	63,597
Miscellaneous	116,200	116,200	279,042	162,842
Total Revenues	63,781,695	63,781,695	63,774,035	(7,660)
EXPENDITURES				
Current				
General government support	11,799,257	14,399,855	13,805,768	594,087
Public safety	19,593,235	19,599,735	19,528,094	71,641
Health	3,350	3,350	3,216	134
Transportation	2,462,902	2,561,002	2,489,469	71,533
Economic opportunity and development	141,619	141,619	89,867	51,752
Culture and recreation	3,359,807	3,546,209	3,523,179	23,030
Home and community services	3,889,265	3,445,165	3,424,226	20,939
Employee benefits	16,450,102	16,547,302	16,414,226	133,076
Debt service				
Principal	5,950,970	5,567,970	5,567,970	-
Interest	1,870,264	1,870,264	1,798,219	72,045
Refunding bond issuance costs	-	113,650	113,650	-
Total Expenditures	65,520,771	67,796,121	66,757,884	1,038,237
Deficiency of Revenues Over Expenditures	(1,739,076)	(4,014,426)	(2,983,849)	1,030,577
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	450,000	450,000	595,043	145,043
Sale of real property	13,400	13,400	357,873	344,473
Bond anticipation notes issued	1,150,000	3,770,000	3,770,000	-
Refunding bonds issued	-	7,146,003	7,146,003	-
Issuance premium	-	495,410	495,410	-
Payment to refunded bond escrow agent	-	(7,527,763)	(7,527,763)	-
Transfers in	25,000	25,000	34,480	9,480
Transfers out	-	(458,300)	(458,300)	-
Total Other Financing Sources	1,638,400	3,913,750	4,412,746	498,996
Net Change in Fund Balance	(100,676)	(100,676)	1,428,897	1,529,573
FUND BALANCE				
Beginning of Year	100,676	100,676	7,108,066	7,007,390
End of Year	\$ -	\$ -	\$ 8,536,963	\$ 8,536,963

(1) Includes prior year encumbrances of \$100,676.

Incorporated Village of Freeport, New York

General Fund
 Schedule of Revenues and Other Financing Sources Compared to Budget
 Year Ended February 28, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
PROPERTY TAXES	\$ 42,657,602	\$ 42,657,602	\$ 42,647,606	\$ (9,996)
OTHER TAX ITEMS				
Interest and penalties on real property taxes	300,000	300,000	341,920	41,920
Payments in lieu of taxes	5,708,521	5,708,521	5,616,220	(92,301)
	<u>6,008,521</u>	<u>6,008,521</u>	<u>5,958,140</u>	<u>(50,381)</u>
NON-PROPERTY TAXES				
Non-property tax distribution from County	119,000	119,000	119,088	88
Utilities gross receipts tax	860,000	860,000	907,781	47,781
	<u>979,000</u>	<u>979,000</u>	<u>1,026,869</u>	<u>47,869</u>
DEPARTMENTAL INCOME				
Treasurer fees	2,000	2,000	7,377	5,377
Clerks fees	20,000	20,000	27,073	7,073
Attorney fees	50,000	50,000	38,543	(11,457)
Fire Department fees	63,250	63,250	59,234	(4,016)
Safety inspection fees	5,500	5,500	10,722	5,222
Public Works fees	250,000	250,000	255,842	5,842
Parking fees	235,000	235,000	306,930	71,930
Parking meter fees - non taxable	113,000	113,000	114,441	1,441
Other economic assistance and opportunity	9,000	9,000	12,500	3,500
Parks and recreation fees	2,036,230	2,036,230	1,844,985	(191,245)
Zoning and Appeals Board fees	10,000	10,000	15,465	5,465
Planning Board fees	12,000	12,000	16,240	4,240
Garbage fees	4,490,190	4,490,190	4,485,333	(4,857)
Sewer rent	5,000	5,000	8,864	3,864
Board of Architectural Review fees	5,000	5,000	4,220	(780)
	<u>7,306,170</u>	<u>7,306,170</u>	<u>7,207,769</u>	<u>(98,401)</u>
INTERGOVERNMENTAL REVENUES				
Fire protection	3,000	3,000	4,952	1,952

(Continued)

INTERFUND REVENUES	<u>1,088,000</u>	<u>1,088,000</u>	<u>1,088,000</u>	<u>-</u>
USE OF MONEY AND PROPERTY				
Interest earnings	75,000	75,000	168,878	93,878
Rental income	<u>1,186,069</u>	<u>1,186,069</u>	<u>1,210,517</u>	<u>24,448</u>
	<u>1,261,069</u>	<u>1,261,069</u>	<u>1,379,395</u>	<u>118,326</u>
LICENSES AND PERMITS				
Occupational licenses	140,000	140,000	153,725	13,725
Building permits	635,000	635,000	543,402	(91,598)
Other permits	<u>212,000</u>	<u>212,000</u>	<u>365,356</u>	<u>153,356</u>
	<u>987,000</u>	<u>987,000</u>	<u>1,062,483</u>	<u>75,483</u>
FINES AND FORFEITURES				
Justice court fines	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,504,312</u>	<u>(295,688)</u>
STATE AID				
Per capita	901,311	901,311	901,311	-
Mortgage tax	400,000	400,000	397,430	(2,570)
Public safety	90,000	90,000	71,170	(18,830)
Youth programs	17,000	17,000	-	(17,000)
Other	<u>91,822</u>	<u>91,822</u>	<u>106,959</u>	<u>15,137</u>
	<u>1,500,133</u>	<u>1,500,133</u>	<u>1,476,870</u>	<u>(23,263)</u>
FEDERAL AID				
Emergency Management Agency	75,000	75,000	138,597	63,597
MISCELLANEOUS				
Refunds of prior year's expenditures	100,000	100,000	89,613	(10,387)
Local public safety grants	-	-	185,727	185,727
Other	<u>16,200</u>	<u>16,200</u>	<u>3,702</u>	<u>(12,498)</u>
	<u>116,200</u>	<u>116,200</u>	<u>279,042</u>	<u>162,842</u>
TOTAL REVENUES	<u>63,781,695</u>	<u>63,781,695</u>	<u>63,774,035</u>	<u>(7,660)</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 28, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
OTHER FINANCING SOURCES				
Insurance recoveries	\$ 450,000	\$ 450,000	\$ 595,043	\$ 145,043
Sale of real property	13,400	13,400	357,873	344,473
Bond anticipation notes issued	1,150,000	3,770,000	3,770,000	-
Refunding bonds issued	-	7,146,003	7,146,003	-
Issuance premium	-	495,410	495,410	-
Transfers in	25,000	25,000	34,480	9,480
TOTAL OTHER FINANCING SOURCES	<u>1,638,400</u>	<u>11,899,813</u>	<u>12,398,809</u>	<u>498,996</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 65,420,095</u>	<u>\$ 75,681,508</u>	<u>\$ 76,172,844</u>	<u>\$ 491,336</u>

Incorporated Village of Freeport, New York

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget

Year Ended February 28, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
GENERAL GOVERNMENT SUPPORT				
Village Board	\$ 82,000	\$ 82,000	\$ 79,161	\$ 2,839
Village Justices	588,809	588,809	587,339	1,470
Mayor	320,383	296,383	236,893	59,490
Comptroller	116,937	116,937	66,430	50,507
Audit	150,122	129,122	103,797	25,325
Treasurer	579,131	612,231	612,178	53
Purchasing	452,672	352,672	348,844	3,828
Assessor	155,651	155,651	116,808	38,843
99 Village Clerk	443,226	443,226	424,245	18,981
Attorney	802,552	807,550	731,034	76,516
Human resources	451,169	451,669	451,614	55
Elections	1,300	1,500	1,469	31
Public works	1,124,955	1,124,955	978,546	146,409
Public works administration	349,988	349,988	323,814	26,174
Buildings department	331,876	338,776	338,730	46
Central garage	965,590	965,590	936,759	28,831
Central data processing	803,670	803,670	712,014	91,656
Unallocated insurance	671,726	526,726	523,462	3,264
Human services	10,000	10,000	7,111	2,889
Judgments and claims	1,150,000	2,856,800	2,856,756	44
Property loss	850,000	3,281,000	3,280,727	273
Taxes and assessment on property	85,000	88,100	88,037	63
Contingency	1,312,500	16,500	-	16,500
	<u>11,799,257</u>	<u>14,399,855</u>	<u>13,805,768</u>	<u>594,087</u>

PUBLIC SAFETY				
Police	17,058,271	16,908,271	16,885,905	22,366
Traffic control	69,956	69,956	62,270	7,686
On-Street parking	79,417	81,317	81,272	45
Fire	1,174,734	1,174,734	1,152,497	22,237
Control of animals	200	200	-	200
Safety inspection	1,082,492	1,082,492	1,073,806	8,686
Disaster related repairs	-	149,400	149,320	80
Other	128,165	133,365	123,024	10,341
	<u>19,593,235</u>	<u>19,599,735</u>	<u>19,528,094</u>	<u>71,641</u>
HEALTH				
Nursing services	<u>3,350</u>	<u>3,350</u>	<u>3,216</u>	<u>134</u>
TRANSPORTATION				
Administration	2,800	2,800	600	2,200
Maintenance of streets	716,473	716,473	647,228	69,245
Snow removal	175,300	201,400	201,367	33
Street lighting	1,420,310	1,441,310	1,441,267	43
Facilities maintenance	148,019	199,019	199,007	12
	<u>2,462,902</u>	<u>2,561,002</u>	<u>2,489,469</u>	<u>71,533</u>
ECONOMIC OPPORTUNITY AND DEVELOPMENT				
Publicity	<u>141,619</u>	<u>141,619</u>	<u>89,867</u>	<u>51,752</u>
CULTURE AND RECREATION				
Community center	2,839,435	2,890,437	2,890,408	29
Arts council	20,000	20,000	20,000	-
Library	41,700	41,700	21,797	19,903
Recreation	1,400	1,400	1,368	32
Tennis	3,000	3,000	-	3,000
Playgrounds	454,272	589,672	589,606	66
	<u>3,359,807</u>	<u>3,546,209</u>	<u>3,523,179</u>	<u>23,030</u>

(Continued)

Incorporated Village of Freeport, New York

General Fund

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

Year Ended February 28, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
HOME AND COMMUNITY SERVICES				
Zoning	\$ 10,600	\$ 10,600	\$ 7,571	\$ 3,029
Planning	17,100	17,100	13,296	3,804
Sewer administration	2,850	2,850	1,629	1,221
Sanitary sewers	267,607	301,107	300,918	189
Refuse and garbage	3,464,670	2,979,670	2,967,022	12,648
Drainage	120,038	125,838	125,812	26
Composting	6,400	8,000	7,978	22
	<u>3,889,265</u>	<u>3,445,165</u>	<u>3,424,226</u>	<u>20,939</u>
EMPLOYEE BENEFITS				
Retirement	5,110,707	4,915,707	4,912,084	3,623
Social security	1,965,104	1,685,104	1,681,027	4,077
Workers' compensation benefits	1,100,000	1,480,000	1,479,630	370
Unemployment benefits	40,000	47,200	47,177	23
Hospital and medical insurance	7,638,000	7,823,000	7,822,728	272
Union welfare benefits	75,000	75,000	-	75,000
Length of service award contributions	360,000	360,000	351,310	8,690
Other	161,291	161,291	120,270	41,021
	<u>16,450,102</u>	<u>16,547,302</u>	<u>16,414,226</u>	<u>133,076</u>
DEBT SERVICE				
Principal				
Serial bonds	5,457,970	5,457,970	5,457,970	-
Bond anticipation notes	493,000	110,000	110,000	-
Interest				
Serial bonds	1,695,102	1,695,102	1,686,449	8,653
Bond anticipation notes	175,162	175,162	111,770	63,392
Refunding bond issuance costs	-	113,650	113,650	-
	<u>7,821,234</u>	<u>7,551,884</u>	<u>7,479,839</u>	<u>72,045</u>
TOTAL EXPENDITURES	<u>65,520,771</u>	<u>67,796,121</u>	<u>66,757,884</u>	<u>1,038,237</u>

OTHER FINANCING USES

Payment to refunded bond escrow agent	-	7,527,763	7,527,763	-
Transfers out				
Capital Projects Fund	-	458,300	458,300	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING USES	-	7,986,063	7,986,063	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 65,520,771</u>	<u>\$ 75,782,184</u>	<u>\$ 74,743,947</u>	<u>\$ 1,038,237</u>

Incorporated Village of Freeport, New York

Capital Projects Fund
Balance Sheet
February 28, 2015

ASSETS

Cash and equivalents	<u>\$ 2,776,290</u>
Investments	<u>1,467,269</u>
Receivables	
Accounts	92,697
State and Federal aid	43,123
Due from other funds	<u>3,190,270</u>
	<u>3,326,090</u>
Total Assets	<u><u>\$ 7,569,649</u></u>

LIABILITIES AND FUND DEFICIT

Liabilities	
Accounts payable	\$ 248
Accrued liabilities	95,739
Due to other funds	2,827,489
Bond anticipation notes payable	<u>5,176,500</u>
Total Liabilities	8,099,976
Fund deficit	
Restricted	1,703,061
Unassigned	<u>(2,233,388)</u>
Total Fund Deficit	<u>(530,327)</u>
Total Liabilities and Fund Deficit	<u><u>\$ 7,569,649</u></u>

Incorporated Village of Freeport, New York

Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended February 28, 2015

REVENUES

State aid	\$ 939,076
Federal aid	134,648
Miscellaneous	<u>27,150</u>
Total Revenues	1,100,874

EXPENDITURES

Capital outlay	<u>1,838,801</u>
Deficiency of Revenues Over Expenditures	<u>(737,927)</u>

OTHER FINANCING SOURCES (USES)

Bonds issued	412,000
Transfers in	458,300
Transfers out	<u>(34,480)</u>
Total Other Financing Sources	<u>835,820</u>
Net Change in Fund Balance	97,893

FUND DEFICIT

Beginning of Year	<u>(628,220)</u>
End of Year	<u><u>\$ (530,327)</u></u>

Incorporated Village of Freeport, New York

Enterprise Fund - Water Fund
Statement of Net Position
February 28, 2015

ASSETS

Current assets	
Cash and equivalents	\$ 223,068
Investments	273,106
Accounts receivable	2,911,331
Due from other funds	1,605,692
Inventories	124,501
Prepaid expenses	43,263
	<hr/>
Total Current Assets	5,180,961
Non-current assets	
Costs to be recovered from future revenues	2,473,057
Non depreciable capital assets	85,981
Depreciable capital assets, net of accumulated depreciation	18,093,440
	<hr/>
Total Non-Current Assets	20,652,478
	<hr/>
Total Assets	25,833,439

DEFERRED OUTFLOWS OF RESOURCES

Deferred amounts on refunding bonds	94,846
	<hr/>

LIABILITIES

Current liabilities	
Accounts payable	74,427
Accrued interest payable	102,204
Accrued liabilities	9,274
Due to other funds	1,888,230
Bond anticipation notes payable	136,500
	<hr/>
Total Current Liabilities	2,210,635
Non-current liabilities	
Due within one year	1,151,390
Due in more than one year	12,808,713
	<hr/>
Total Non-Current Liabilities	13,960,103
	<hr/>
Total Liabilities	16,170,738

NET POSITION

Net investment in capital assets	7,220,446
Unrestricted	2,537,101
	<hr/>
Total Net Position	\$ 9,757,547

Incorporated Village of Freeport, New York

Enterprise Fund - Water Fund
Statement of Revenues, Expenses and Changes in
Net Position
Year Ended February 28, 2015

OPERATING REVENUES

Charges for services	\$ 6,658,995
Interest and penalties	<u>473,403</u>
Total Revenue	<u>7,132,398</u>

OPERATING EXPENSES

Power and pumping	2,028,066
Transmission and distribution services	216,651
Administrative and general	1,993,899
Depreciation and amortization	755,517
Charges in lieu of taxes	<u>1,344,150</u>

Total Operating Expenses 6,338,283

Income from Operations 794,115

NON-OPERATING REVENUES (EXPENSES)

Interest income	25,335
Interest expense	(461,159)
Costs to be recovered from future revenues	<u>258,475</u>

Total Non-Operating Expenses (177,349)

Change in Net Position 616,766

NET POSITION

Beginning of Year, as reported	9,411,771
Prior Period Adjustment	<u>(270,990)</u>
Beginning of Year, as restated	<u>9,140,781</u>
End of Year	<u><u>\$ 9,757,547</u></u>

Incorporated Village of Freeport, New York

Enterprise Fund - Water Fund
 Statement of Cash Flows
 Year Ended February 28, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from charges for services	\$ 7,299,166
Cash payments for goods, services and compensation	(5,414,578)
Cash payments for interfund services used	<u>(597,167)</u>
Net Cash From Operating Activities	<u>1,287,421</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Bonds issued	1,123,000
Principal paid on bonds	(1,005,396)
Principal paid on bond anticipation notes	(1,398,000)
Interest paid on bonds	(403,447)
Acquisition and construction of capital assets	<u>(22,869)</u>
Net Cash From Capital and Related Financing Activities	<u>(1,706,712)</u>

CASH FLOW FROM INVESTING ACTIVITIES

Purchase of investments	(95)
Interest income	<u>25,335</u>
Net Cash From Investing Activities	<u>25,240</u>
Net Change in Cash and Equivalents	(394,051)

CASH AND EQUIVALENTS

Beginning of Year	<u>617,119</u>
End of Year	<u><u>\$ 223,068</u></u>

RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES

Income from operations	\$ 794,115
Adjustments to reconcile income from operations to net cash from operating activities	
Depreciation and amortization	755,517
Changes in operating assets and liabilities	
Accounts receivable	166,768
Due from other funds	(1,332,068)
Inventories	15,565
Prepaid expenses	(16,400)
Accounts payable	(82,940)
Accrued liabilities	9,274
Due to other funds	746,983
Pension obligations	19,923
Compensated absences	(47,791)
Other post employment benefit obligations payable	<u>258,475</u>
Net Cash from Operating Activities	<u><u>\$ 1,287,421</u></u>

NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES

Refunding bonds issued	\$ 1,137,849
Issuance premium	78,883
Payment to refunded bond escrow agent	(1,198,636)
Refunding bond issuance costs	(18,096)

Incorporated Village of Freeport, New York

Enterprise Fund - Electric Fund
Statement of Net Position
February 28, 2015

ASSETS

Current assets	
Cash and equivalents	\$ 3,714,190
Investments	4,555,439
Accounts receivable	5,917,595
Due from other funds	687,573
Due from other governments	3,494
Inventories	2,753,074
Prepaid expenses	212,360
	<hr/>
Total Current Assets	17,843,725
Non-current assets	
Costs to be recovered from future revenues	9,578,194
Regulatory deposit	506,687
Non depreciable capital assets	107,870
Depreciable capital assets, net of accumulated depreciation	66,239,034
	<hr/>
Total Non-Current Assets	76,431,785
Total Assets	<hr/> 94,275,510 <hr/>

DEFERRED OUTFLOWS OF RESOURCES

Deferred amounts on refunding bonds	<hr/> 1,791,067 <hr/>
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LIABILITIES

Current liabilities	
Accounts payable	2,912,444
Accrued interest payable	718,438
Due to other funds	1,275,677
Due to other governments	132,867
Customer deposits	1,346,499
Regulatory liabilities	6,384,739
Unearned revenue	236,321
	<hr/>
Total Current Liabilities	13,006,985
Non-Current Liabilities	
Due within one year	3,689,897
Due in more than one year	67,950,973
	<hr/>
Total Non-Current Liabilities	71,640,870
Total Liabilities	<hr/> 84,647,855 <hr/>

NET POSITION

Net investment in capital assets	10,138,578
Unrestricted	1,280,144
	<hr/>
Total Net Position	\$ 11,418,722 <hr/>

Incorporated Village of Freeport, New York

Enterprise Fund - Electric Fund
Statement of Revenues, Expenses and Changes in
Net Position
Year Ended February 28, 2015

OPERATING REVENUES

Charges for services	\$ 31,995,841
Miscellaneous	711,022
	<hr/>
Total Revenues	32,706,863

OPERATING EXPENSES

Power generation	13,702,327
Transmission and distribution	1,515,114
Street lighting and signal system	98,824
Customer counting and collection	919,374
Administrative and general	8,015,746
Depreciation and amortization	2,997,104
Charges in lieu of taxes	3,807,000
Miscellaneous	378,152
	<hr/>
Total Operating Expenses	31,433,641
	<hr/>
Income from Operations	1,273,222

NON-OPERATING REVENUES (EXPENSES)

Interest income	4,458
Interest expense	(2,358,656)
Costs to be recovered from future revenues	1,221,224
	<hr/>
Total Non-Operating Expenses	(1,132,974)
	<hr/>
Change in Net Position	140,248

NET POSITION

Beginning of Year, as reported	11,168,741
Prior Period Adjustment	109,733
	<hr/>
Beginning of Year, as restated	11,278,474
	<hr/>
End Year	\$ 11,418,722

Incorporated Village of Freeport, New YorkEnterprise Fund - Electric Fund
Statement of Cash Flows
Year Ended February 28, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from charges for services	\$ 31,560,819
Cash received from interfund services provided	2,339,705
Cash payments for goods, services and compensation	(22,242,434)
Cash payments for interfund services used	(3,037,504)
	<u>8,620,586</u>
Net Cash From Operating Activities	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on bonds	(3,146,634)
Principal paid on loan	(62,305)
Interest paid on indebtedness	(2,411,684)
Acquisition and construction of capital assets	(539,824)
	<u>(6,160,447)</u>
Net Cash From Capital and Related Financing Activities	
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of investments	(2,253,704)
Interest income	4,458
	<u>(2,249,246)</u>
Net Cash From Investing Activities	
Net Change in Cash and Equivalents	210,893
CASH AND EQUIVALENTS	
Beginning of Year	<u>3,503,297</u>
End of Year	<u>\$ 3,714,190</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES	
Income from operations	\$ 1,273,222
Adjustments to reconcile income from operations to net cash from operating activities	
Depreciation and amortization	2,997,104
Changes in operating assets and liabilities	
Accounts receivable	1,066,094
Due from other funds	(91,443)
Due from other governments	143,140
Inventories	(39,260)
Prepaid expenses	(95,954)
Regulatory deposit	139,962
Accounts payable	(980,086)
Due to other funds	769,496
Customer deposits	75,870
Regulatory liabilities	1,796,438
Pension obligations	128,179
Compensated absences	216,600
Other post employment benefit obligations payable	1,221,224
	<u>8,620,586</u>
Net Cash From Operating Activities	
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Refunding bonds issued	\$ 206,148
Issuance premium	14,292
Payment to refunded bond escrow agent	(217,161)
Refunding bond issuance costs	(3,279)

