

Incorporated Village of Freeport, New York

Financial Statements and
Supplementary Information

Year Ended February 28, 2017

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, the aggregate discretely presented component unit, 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, 2017, 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 did not audit the financial statements of the Village of Freeport Community Development Agency (a component unit) for the year ended February 28, 2017. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for such component unit, is based solely on the report of the other auditor. 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village, as of February 28, 2017, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit for the year the ended February 28, 2017 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The combining and individual fund financial statements and schedules for the year ended February 28, 2017 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended February 28, 2017 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended February 28, 2017.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America the basic financial statements of the Village as of and for the year ended February 29, 2016 (not presented herein), and have issued our report thereon dated February 21, 2017, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information and an adverse opinion on the aggregate discretely presented

component unit. The combining and individual fund financial statements and schedules for the year ended February 29, 2016 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the 2016 financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2016 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended February 29, 2016.

PKF O'Connor Davies, LLP
PKF O'Connor Davies, LLP
Harrison, New York
December 22, 2017

Incorporated Village of Freeport, New York

Management Discussion and Analysis February 28, 2017

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, 2017. Please read it in conjunction with the Village’s financial statements.

FINANCIAL HIGHLIGHTS

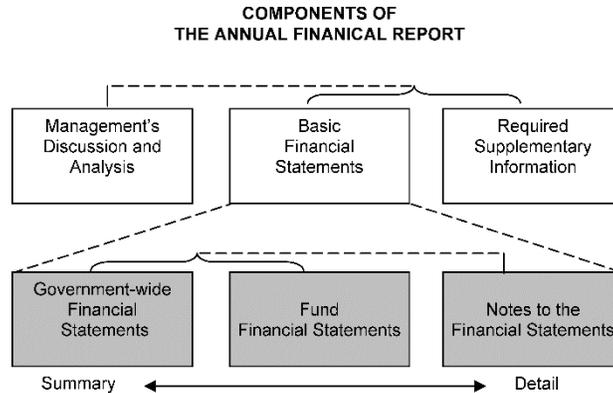
- The combined liabilities and deferred inflows of resources of the Village exceeded its assets and deferred outflows of resources by \$38,400,148 at February 28, 2017 (net of a cumulative effect of change in accounting principle, see Note 2C). The change in net position before the cumulative effect of change in accounting principle of \$3,522,018 was related to a decrease in governmental activities and \$946,927 was related to an increase in the business-type activities for a total combined net position decrease of \$2,575,091 (prior to the cumulative effect of change in accounting principle). The most notable factor contributing to this overall increase in net position is the effect on reporting the assets accumulated for purposes of providing the Length of Service Awards Program (“LOSAP”) for active volunteer firefighters under governmental activities due to the implementation of Governmental Accounting Standards Board (“GASB”) Statement No. 73. In addition, the reduction of bonded debt and claims payable and the increase in investments and capital assets contributed to a more favorable net position despite increases in other post employment benefit (OPEB) obligations payable.
- As of February 28, 2017, the Village’s governmental funds reported combined ending fund balances of \$12,853,981. Of this amount, \$1,137,371 is not in spendable form or is legally or contractually required to remain intact. Restricted for pensions benefits and debt service requirements such as tax certioraris and general liability claims and/or capital improvements equates to \$5,926,181. In spendable form and assigned for specific purposes is \$86,323. The remaining \$5,704,106 is unassigned and currently available for spending. See Note 3K.
- At year end, the Village’s total fund balance for the General Fund was \$14,762,646, an increase of \$4,752,367 from the prior year inclusive of the cumulative effect of change in accounting principle. The unassigned fund balance for the General Fund is \$7,612,771.
- The Village’s total bonded debt (inclusive of general obligation bonds and bond anticipation notes (“BAN’s”) accounted for as short-term and long-term debt was \$109,340,503 (exclusive of unamortized premium on bonds), of which \$50,829,063 relates to governmental activities and \$58,511,440 relates to business-type activities. There was a decrease in bonded debt in the amount of \$6,788,498.
- For the year ended February 28, 2017, the Village implemented the provisions of GASB Statement No. 73, “*Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*”. This pronouncement established new accounting and financial reporting requirements associated with the Village’s LOSAP pensions. Under the new standard, at February 28, 2017, the Village reported a cumulative effect of change in accounting principle of \$4,973,976 in its General Fund and on its Statement of Net Position. More detailed information about the Village’s LOSAP pension reporting can be found in Note 3F in the notes to financial statements.

Incorporated Village of Freeport, New York

Management Discussion and Analysis
February 28, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS

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



Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business. The intent of the government-wide financial statements is to give the reader a long-term view of the Village's financial condition.

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

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

Incorporated Village of Freeport, New York

Management Discussion and Analysis
February 28, 2017

The Village's government-wide financial statements include both the governmental and business-type activities of the Village itself as well as its discretely presented component unit, the Freeport Community Development Agency.

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

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

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

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

Component Unit - Component units are legally separate organizations for which the Village is either financially accountable, or the nature and significance of their relationship with the Village is such that exclusion would cause the Village's financial statements to be misleading or incomplete. As previously stated, the Village of Freeport Community Development Agency ("Agency") is reported as a discretely presented component unit on the government-wide financial statements. Complete separate financial statements may be obtained from the Agency.

Fund Financial Statements

The fund financial statements focus on current available resources and are organized and operated on the basis of funds, each of which is defined as an accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific or attaining certain objectives in accordance with special regulations, restriction or limitations. The Village, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

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

Incorporated Village of Freeport, New York

Management Discussion and Analysis February 28, 2017

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the Village's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

Incorporated Village of Freeport, New York

Management Discussion and Analysis February 28, 2017

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously noted, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village, liabilities and deferred inflows of resources, exceeded assets and deferred outflows of resources by \$38,400,148 at the close of the most recent year.

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

Condensed Statements of Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016
Assets						
Current and other assets	\$ 24,877,186	\$ 17,818,061	\$ 34,197,512	\$ 31,880,619	\$ 59,074,698	\$ 49,698,680
Capital assets	54,680,408	55,404,789	79,177,075	81,846,167	133,857,483	137,250,956
Total assets	79,557,594	73,222,850	113,374,587	113,726,786	192,932,181	186,949,636
Deferred outflows of resources	23,499,007	6,263,415	7,922,448	3,460,894	31,421,455	9,724,309
Liabilities						
Other liabilities	27,765,768	24,203,943	17,189,051	16,016,433	44,954,819	40,220,376
Long-term liabilities	134,171,375	118,016,229	80,248,922	78,850,609	214,420,297	196,866,838
Total liabilities	161,937,143	142,220,172	97,437,973	94,867,042	259,375,116	237,087,214
Deferred inflows of resources	2,608,254	206,847	770,414	178,917	3,378,668	385,764
Net position						
Net investment in capital assets	15,353,822	19,262,382	20,454,822	18,829,059	35,808,644	38,091,441
Restricted						
Debt Service	600,500	520,316	-	-	600,500	520,316
Pension benefits	5,325,681	-	-	-	5,325,681	-
Unrestricted	(82,768,799)	(82,723,452)	2,633,826	3,312,662	(80,134,973)	(79,410,790)
Total net position	\$ (61,488,796)	\$ (62,940,754)	\$ 23,088,648	\$ 22,141,721	\$ (38,400,148)	\$ (40,799,033)

Total assets and deferred outflows of resources of the Village's governmental activities, as of February 28, 2017, were \$79,557,594 and \$23,499,007, respectively, a total increase of \$23,570,336. Total liabilities and deferred inflows of resources as of February 28, 2017 were \$161,937,143 and \$2,608,254, respectively, a total increase of \$22,118,378. This resulted in a net deficit balance of \$61,488,796 for 2017, a decrease of \$1,451,958. Of the Village's governmental activities net position (deficit) balance, \$15,353,822 represents it's net investment in capital assets, \$600,500 was restricted for debt service, \$5,325,681 was restricted for pension benefits; leaving an \$82,768,799 unrestricted deficit.

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Management Discussion and Analysis February 28, 2017

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, 2017, were \$113,374,587 and \$7,922,448, respectively, a total increase of \$4,109,355. Total liabilities and deferred inflows of resources as of February 28, 2017 were \$97,437,973 and \$770,414, respectively, a total increase of \$3,162,428. This resulted in a net position balance of \$23,088,648 for 2017, an increase of \$946,927. Of the Village's business-type activities net position balance, \$20,454,822 represents its net investment in capital assets; leaving \$2,633,826 as unrestricted net position.

The Village's combined net investment in capital assets of \$35,808,644 as of February 28, 2017, 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 increased in the current year after many subsequent years of decreasing due to the ongoing recognition of other postemployment healthcare costs. The unfunded liability for other postemployment benefit obligations increased by \$8,211,253 in the current year, bringing the unfunded liability at year end to \$66,786,576. Additional information on other postemployment benefits can be found in Note 3H in the notes to financial statements.

Incorporated Village of Freeport, New York

Management Discussion and Analysis February 28, 2017

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, 2017	February 29, 2016	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016
Program Revenues						
Charges for services	\$ 13,395,495	\$ 12,713,774	\$ 39,033,036	\$ 38,201,140	\$ 52,428,531	\$ 50,914,914
Operating grants and contributions	591,090	351,231	-	-	591,090	351,231
Capital grants and contributions	675,394	1,999,514	-	-	675,394	1,999,514
	<u>14,661,979</u>	<u>15,064,519</u>	<u>39,033,036</u>	<u>38,201,140</u>	<u>53,695,015</u>	<u>53,265,659</u>
General Revenues						
Real property taxes	42,275,761	42,671,594	-	-	42,275,761	42,671,594
Other real property tax items	6,677,533	6,135,403	-	-	6,677,533	6,135,403
Non-property tax items	1,384,789	1,121,448	-	-	1,384,789	1,121,448
Unrestricted use of money and property	41,262	14,393	41,182	6,709	82,444	21,102
State aid - unrestricted	1,456,297	1,338,056	-	-	1,456,297	1,338,056
Miscellaneous	112,161	94,640	-	-	112,161	94,640
Insurance recoveries	538,736	731,515	-	-	538,736	731,515
Costs to be recovered in future revenues	-	-	1,783,706	1,579,303	1,783,706	1,579,303
Sale of property and compensation for loss	33,146	-	-	-	33,146	-
Gain on sale of property	164,000	330,966	-	-	164,000	330,966
	<u>52,683,685</u>	<u>52,438,015</u>	<u>1,824,888</u>	<u>1,586,012</u>	<u>54,508,573</u>	<u>54,024,027</u>
Total revenues	<u>67,345,664</u>	<u>67,502,534</u>	<u>40,857,924</u>	<u>39,787,152</u>	<u>108,203,588</u>	<u>107,289,686</u>
Program expenses						
General government support	15,780,953	12,393,307	-	-	15,780,953	12,393,307
Public safety	38,504,971	34,631,167	-	-	38,504,971	34,631,167
Health	2,282	2,736	-	-	2,282	2,736
Transportation	4,661,894	4,708,666	-	-	4,661,894	4,708,666
Economic assistance and opportunity	133,527	113,095	-	-	133,527	113,095
Culture and recreation	5,835,429	5,340,950	-	-	5,835,429	5,340,950
Home and community services	4,663,850	4,486,642	-	-	4,663,850	4,486,642
Interest on debt	1,284,776	1,670,079	-	-	1,284,776	1,670,079
Electric	-	-	33,039,061	31,823,149	33,039,061	31,823,149
Water	-	-	6,871,936	6,911,142	6,871,936	6,911,142
	<u>70,867,682</u>	<u>63,346,642</u>	<u>39,910,997</u>	<u>38,734,291</u>	<u>110,778,679</u>	<u>102,080,933</u>
Change in net position	<u>(3,522,018)</u>	<u>4,155,892</u>	<u>946,927</u>	<u>1,052,861</u>	<u>(2,575,091)</u>	<u>5,208,753</u>
Net position, beginning of the year, as reported	(62,940,754)	(67,096,646)	22,141,721	21,088,860	(40,799,083)	(38,901,465)
Prior period adjustment	-	-	-	-	-	(9,018,295)
Cumulative effect of change in accounting principle (see note 2C)	4,973,976	-	-	-	4,973,976	1,911,924
Net position, beginning of the year, as restated	<u>(57,966,778)</u>	<u>(67,096,646)</u>	<u>22,141,721</u>	<u>21,088,860</u>	<u>(35,825,057)</u>	<u>(46,007,836)</u>
Net position, end of year	<u>\$ (61,488,796)</u>	<u>\$ (62,940,754)</u>	<u>\$ 23,088,648</u>	<u>\$ 22,141,721</u>	<u>\$ (38,400,148)</u>	<u>\$ (40,799,083)</u>

During the year ended February 28, 2017, government-wide revenues increased from the prior year by \$913,902 while government-wide expenses increased from the prior year by \$8,697,746.

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

- Governmental activities program revenues increased by approximately \$429,400, primarily as a result of an increase in electric usage as well as license and permit fees, which was partially offset by a decrease in water usage and a decrease in capital grants and contributions.

Incorporated Village of Freeport, New York

Management Discussion and Analysis February 28, 2017

- Governmental activities general revenues increased by approximately \$484,500 due to an increase in arrears collection of other real property tax items, franchise fees and unrestricted state aid despite a decrease in insurance recoveries and real property tax collections.

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

- Electric utility expenses increased by approximately \$1,216,000 from the prior year as a result of increased costs relating to power generation and transmission and distribution services.
- Interest on debt decreased by approximately \$385,300 due to bonding at more favorable rates and debt restructuring.
- There was an increase in general government support expenses mainly due to the transfer of real property to the Village from the Freeport Community Development Agency. In addition, there was an increase in almost all of other functions mainly due to the rising costs of employee benefits such as health insurance.

Total Cost of Services, Program Revenues and Net Cost (Income) of Services Governmental Activities For the Years Ended February 28, 2017 and February 29, 2016

	Total Cost of Services		Program Revenues		Net Cost of Services	
	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016
General government support	\$ 15,780,953	\$ 12,393,307	\$ 1,457,397	\$ 2,521,535	\$ 14,323,556	\$ 9,871,772
Public Safety	38,504,971	34,631,167	3,474,661	3,319,096	35,030,310	31,312,071
Health	2,282	2,736	-	-	2,282	2,736
Transportation	4,661,894	4,708,666	690,399	1,840,393	3,971,495	2,868,273
Economic assistance and opportunity	133,527	113,095	27,000	-	106,527	113,095
Cultural and recreation	5,835,429	5,340,950	2,053,363	2,340,589	3,782,066	3,000,361
Home and community services	4,663,850	4,486,642	6,959,159	5,042,906	(2,295,309)	(556,264)
Interest on debt	1,284,776	1,670,079	-	-	1,284,776	1,670,079
	<u>\$ 70,867,682</u>	<u>\$ 63,346,642</u>	<u>\$ 14,661,979</u>	<u>\$ 15,064,519</u>	<u>\$ 56,205,703</u>	<u>\$ 48,282,123</u>

The cost of the governmental activities this year was \$70,867,682. The net cost of these services after being subsidized by program revenues of \$14,661,979 was \$56,205,703.

Total Cost of Services, Program Revenues and Net Cost (Income) of Services Business-Type Activities For the Years Ended February 28, 2017 and February 29, 2016

	Total Cost of Services		Program Revenues		Net Cost of Services	
	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016
Electric	\$ 33,039,061	\$ 31,823,149	\$ 31,699,607	\$ 30,743,586	\$ 1,339,454	\$ 1,079,563
Water	6,871,936	6,911,142	7,333,429	7,457,554	(461,493)	(546,412)
	<u>\$ 39,910,997</u>	<u>\$ 38,734,291</u>	<u>\$ 39,033,036</u>	<u>\$ 38,201,140</u>	<u>\$ 877,961</u>	<u>\$ 533,151</u>

The cost of the business-type activities this year was \$39,910,997. The net cost of these services after being subsidized by program revenues of \$39,033,036 was \$877,961.

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FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Governmental Funds

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

The General Fund is the principal operating fund of the Village. At the end of the current fiscal year, the total fund balance of the General Fund was \$14,762,646, a decrease of \$573,314 from the prior year before the cumulative effect of change in accounting principle. Of this amount, \$1,137,371 is not in spendable form (inventory of material and supplies, long term receivables and prepaid expenditures) and of the remaining \$13,625,275, \$5,926,181 is restricted for debt service and pension payments, \$86,323 has been assigned for purchase orders by the Village Comptroller, and the remaining \$7,612,771 is unassigned.

The key element that led to the decrease in fund balance was the transfer of property valued at \$1,436,645 from the Freeport Community Development Agency. Though this property has value, it is considered long-term in nature and recorded in the Village's capital assets in the government-wide financial statements rather than at the fund level. This transfer was offset by the following:

- Arrears collection of non-property tax items attributed to an unbudgeted revenue of approximately \$250,000
- License and permit fees surpassed revenue estimates by approximately \$322,000
- Grants and aid from federal, state and local sources attributed to an unbudgeted revenue of approximately \$104,000
- The combined positive variances (actual expenditures were less than the final budget) in the interest on debt service functional category was approximately \$178,000

At the end of the current year, the Capital Projects Fund had a total deficit fund balance of \$1,908,665. The fund balance of the Capital Projects Fund decreased by \$483,897 from the prior year, a result of timing differences between project expenditures and the recognition of corresponding permanent financing.

Proprietary Funds

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

Water Fund

As of February 28, 2017, the Water Fund's net position was \$11,445,827, an increase of \$837,121 from the prior year. Operating revenues decreased by approximately \$124,000, a result of decreased demand and usage of water in the current year as compared to the prior year, which is consistent to changes in the weather conditions. Operating expenses increased slightly by approximately \$10,000, primarily the result of increases in salaries and other

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administrative costs. The Water Fund's (net) non-operating revenues and expenses decreased by approximately \$104,000 due to reduced interest expense on debt in the current year as the fund has been paying down its outstanding debt at the same time it refunded a portion of another debt issuance and additional costs related other post employment benefits that will be covered from future revenues.

Electric Fund

As of February 28, 2017, the Electric Fund's net position was \$11,642,821, an increase of \$109,806 from the prior year. Operating revenues increased by approximately \$956,000 as a result of an increase in residential and commercial sales from the prior fiscal year. Operating expenses also increased by approximately \$1,482,000, in line with the previously referenced increase in sales from the prior fiscal year coupled with an increase in the cost of salaries and other administrative costs. The Electric Fund's (net) non-operating expenses decreased by approximately \$450,000, mainly due to reduced interest expense on debt in the current year as the fund has refunded a portion of another debt issuance and additional costs related other post employment benefits that will be covered from future revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year the Village Board reviews and revises the budget as needed so that expenditures do not exceed appropriations. In the General Fund, various transfers between appropriations are approved by the Village Board for this purpose. The final budget is also revised from the original budget for the prior year encumbrances, which increased the appropriations in excess of the estimated revenues in the amount of \$19,336 by appropriating prior year assigned fund balance. Overall, total revenues and other financing sources were less than budgeted by \$624,689 and total actual expenditures were less than total appropriations in the amount of \$1,507,356. As a result the Village's overall budget was under-expended by \$882,667. In addition, the original budget was increased as follows:

Estimated revenues	\$ 70,120
Other financing sources	<u>12,869,866</u>
	12,939,986
Appropriations	<u>12,939,986</u>
	<u>\$ -0-</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Village's capital assets net of accumulated depreciation for its governmental and business-type activities as of February 28, 2017, amounts to \$54,680,408 and \$79,177,075, respectively. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure (roads, curbs, sidewalks, drainage, sewer and water systems) and intangibles.

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During the fiscal year ended February 28, 2017, the Village's major capital expenditures were as follows:

Electric fund machinery and equipment	\$	456,003
Land & building transfer from Freeport CDA		1,436,645
Various road and sewer system improvements		1,043,783
Various building improvements		125,349
Acquisition of vehicles and major equipment - governmental activities		<u>786,570</u>
		<u>\$ 3,848,350</u>

Capital Assets Governmental Activities

	<u>February 28, 2017</u>	<u>February 29, 2016</u>
Land	\$ 4,593,377	\$ 3,564,750
Construction in progress	178,992	63,017
Buildings	14,287,809	13,798,789
Improvements other than buildings	17,966,272	17,918,914
Machinery and equipment	15,807,988	15,156,173
Intangibles - software	1,245,655	1,245,155
Infrastructure:		
Roads, curbs, sidewalks and drainage	52,200,640	51,156,857
Sewer system	<u>20,876,589</u>	<u>20,876,589</u>
 Total capital assets	 127,157,322	 123,780,244
Less: accumulated depreciation	<u>72,476,914</u>	<u>68,375,455</u>
 Total net governmental capital assets	 <u>\$ 54,680,408</u>	 <u>\$ 55,404,789</u>

Incorporated Village of Freeport, New York

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Capital Assets Business-type Activities

	<u>February 28, 2017</u>	<u>February 29, 2016</u>
Land	\$ 170,220	\$ 170,220
Construction in progress	797,730	152,423
Buildings, wells and structures	21,324,349	21,280,002
Improvements other than buildings	2,046,682	2,012,626
Machinery and equipment	108,275,061	108,074,120
Infrastructure - Water mains	<u>19,685,634</u>	<u>19,685,634</u>
Total capital assets	152,299,676	151,375,025
Less: accumulated depreciation	<u>73,122,601</u>	<u>69,528,858</u>
Total net business-type capital assets	<u>\$ 79,177,075</u>	<u>\$ 81,846,167</u>

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

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

Debt Limit

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

The constitutional method for determining full valuation is calculated by taking the assessed valuation of taxable real estate as shown upon the latest completed assessment roll and dividing the same by the equalization rate as determined by the State Board of Equalization and Assessment. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of the last completed assessment roll and the four preceding assessment rolls and dividing such sum by five. The percentage of debt contracting power exhausted as of August 17, 2017 was 17.94%.

Incorporated Village of Freeport, New York

Management Discussion and Analysis February 28, 2017

Debt Administration

A summary of activity for outstanding debt for the Village for the year ended February 28, 2017 is as follows:

	Balance March 1, 2016	Increases	Decreases	Balance February 28, 2017
Governmental activities:				
Bond anticipation notes	\$ 10,667,500	\$ 6,165,500	\$ 2,614,000	\$ 14,219,000
General obligation bonds*	43,001,269	9,750,182	16,141,388	36,610,063
	<u>\$ 53,668,769</u>	<u>\$ 15,915,682</u>	<u>\$ 18,755,388</u>	<u>\$ 50,829,063</u>
Business-type activities:				
Bond anticipation notes	591,500	715,000	10,000	1,296,500
General obligation bonds*	61,868,732	5,329,818	9,983,610	57,214,940
	<u>\$ 62,460,232</u>	<u>\$ 6,044,818</u>	<u>\$ 9,993,610</u>	<u>\$ 58,511,440</u>

*Exclusive of related bond premiums

Moody's Investment Services maintained the Village's credit rating at "A1" during the year ended February 28, 2017. 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 3G and 3H in the notes to financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Property Tax

The Village has adopted a budget for the 2017-2018 fiscal year, which factors in inflation and other adjustments to revenues and expenditures as well as prior year positive and negative fund balances. The 2017-2018 budget includes an overall decrease in real property tax revenues from the prior year of 0.677% 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

Incorporated Village of Freeport, New York

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service on general obligations issued by the Village. Accordingly, the Village has taken the appropriate steps to opt out of the applicable cap.

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 ending February 28, 2018, the Village anticipates that assessment refunds will not exceed the budget allocation.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

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

Incorporated Village of Freeport, New York

Statement of Net Position
February 28, 2017

	Governmental Activities	Business-type Activities	Total	Component Unit Community Development Agency
ASSETS				
Cash and equivalents	\$ 3,938,904	\$ 3,355,117	\$ 7,294,021	\$ 112,736
Investments	16,205,474	6,411,909	22,617,383	-
Receivables				
Taxes	633,458	-	633,458	-
Accounts	1,509,029	7,443,243	8,952,272	-
State and Federal aid	248,672	-	248,672	-
Due from other governments	256,753	-	256,753	37,410
Internal balances	1,332,511	(1,332,511)	-	-
Inventories	313,164	2,730,585	3,043,749	-
Prepaid expenses	439,221	134,889	574,110	2,500
Costs to be recovered from future revenues	-	15,414,260	15,414,260	-
Regulatory deposit	-	40,020	40,020	-
Land and buildings held for development and sale	-	-	-	3,081,286
Capital assets				
Not being depreciated	4,772,369	967,950	5,740,319	-
Being depreciated, net	49,908,039	78,209,125	128,117,164	-
Total Assets	79,557,594	113,374,587	192,932,181	3,233,932
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on refunding bonds	984,133	2,099,823	3,083,956	-
Deferred amounts on net pension liabilities	22,514,874	5,822,625	28,337,499	46,549
Total Deferred Outflows of Resources	23,499,007	7,922,448	31,421,455	46,549
LIABILITIES				
Accounts payable	3,041,355	1,687,049	4,728,404	113,288
Accrued interest payable	559,522	375,618	935,140	-
Accrued liabilities	428,794	17,669	446,463	-
Due to other governments	9,945	132,867	142,812	32,785
Customer deposits	-	1,385,369	1,385,369	-
Regulatory liabilities	-	6,726,890	6,726,890	-
Bond anticipation notes payable	7,924,000	1,296,500	9,220,500	-
Unearned revenues	-	229,241	229,241	202,834
Non-current liabilities				
Due within one year	15,802,152	5,337,848	21,140,000	42,653
Due in more than one year	134,171,375	80,248,922	214,420,297	303,167
Total Liabilities	161,937,143	97,437,973	259,375,116	694,727
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts on net pension liabilities	2,608,254	770,414	3,378,668	31,581
NET POSITION				
Net investment in capital assets	15,353,822	20,454,822	35,808,644	-
Restricted				
Debt service	600,500	-	600,500	-
Pension benefits	5,325,681	-	5,325,681	-
Unrestricted	(82,768,799)	2,633,826	(80,134,973)	2,554,173
Total Net Position	\$ (61,488,796)	\$ 23,088,648	\$ (38,400,148)	\$ 2,554,173

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

Incorporated Village of Freeport, New York

Statement of Activities
 Year Ended February 28, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government support	\$ 15,780,953	\$ 1,457,397	\$ -	\$ -
Public safety	38,504,971	2,955,226	394,435	125,000
Health	2,282	-	-	-
Transportation	4,661,894	548,113	-	142,286
Economic opportunity and development	133,527	-	27,000	-
Culture and recreation	5,835,429	2,037,311	9,802	6,250
Home and community services	4,663,850	6,397,448	159,853	401,858
Interest	1,284,776	-	-	-
Total Governmental Activities	70,867,682	13,395,495	591,090	675,394
Business-type activities				
Water	6,871,936	7,333,429	-	-
Electric	33,039,061	31,699,607	-	-
Total Business-Type Activities	39,910,997	39,033,036	-	-
Total	\$ 110,778,679	\$ 52,428,531	\$ 591,090	\$ 675,394
Component unit				
Village of Freeport Community Development Agency	\$ 1,053,678	\$ 1,437,095	\$ 672,270	\$ -

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
Sale of property and compensation for loss
Gain on sale of real property
Total General Revenues
Change in Net Position
NET POSITION
Beginning of Year, as reported
Inclusion of component unit
Cumulative Effect of Change in Accounting Principle
Beginning of Year, as restated
End of Year

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

Net (Expense) Revenue and Changes in Net Position			Component Unit
Governmental Activities	Business-type Activities	Total	Community Development Agency
\$ (14,323,556)	\$ -	\$ (14,323,556)	\$ -
(35,030,310)	-	(35,030,310)	-
(2,282)	-	(2,282)	-
(3,971,495)	-	(3,971,495)	-
(106,527)	-	(106,527)	-
(3,782,066)	-	(3,782,066)	-
2,295,309	-	2,295,309	-
(1,284,776)	-	(1,284,776)	-
(56,205,703)	-	(56,205,703)	-
-	461,493	461,493	-
-	(1,339,454)	(1,339,454)	-
-	(877,961)	(877,961)	-
(56,205,703)	(877,961)	(57,083,664)	-
-	-	-	1,055,687
42,275,761	-	42,275,761	-
331,162	-	331,162	-
6,346,371	-	6,346,371	-
119,088	-	119,088	-
1,265,701	-	1,265,701	-
41,262	41,182	82,444	81
1,456,297	-	1,456,297	-
112,161	-	112,161	-
538,736	-	538,736	-
-	1,783,706	1,783,706	-
33,146	-	33,146	-
164,000	-	164,000	-
52,683,685	1,824,888	54,508,573	81
(3,522,018)	946,927	(2,575,091)	1,055,768
(62,940,754)	22,141,721	(40,799,033)	-
-	-	-	1,498,405
4,973,976	-	4,973,976	-
(57,966,778)	22,141,721	(35,825,057)	1,498,405
\$ (61,488,796)	\$ 23,088,648	\$ (38,400,148)	\$ 2,554,173

Incorporated Village of Freeport, New York

Balance Sheet
 Governmental Funds
 February 28, 2017

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and equivalents	\$ 3,182,007	\$ 756,897	\$ 3,938,904
Investments	11,347,901	4,857,573	16,205,474
Taxes receivable	633,458	-	633,458
Other receivables			
Accounts	1,403,280	105,749	1,509,029
State and Federal aid	212,135	36,537	248,672
Due from other funds	2,174,744	839,270	3,014,014
Due from other governments	256,753	-	256,753
	<u>4,046,912</u>	<u>981,556</u>	<u>5,028,468</u>
Inventories	313,164	-	313,164
Prepaid expenditures	439,221	-	439,221
Total Assets	<u>\$ 19,962,663</u>	<u>\$ 6,596,026</u>	<u>\$ 26,558,689</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)			
Liabilities			
Accounts payable	\$ 2,962,338	\$ 79,017	\$ 3,041,355
Accrued liabilities	428,794	-	428,794
Due to other funds	1,179,829	501,674	1,681,503
Due to other governments	9,945	-	9,945
Bond anticipation notes payable	-	7,924,000	7,924,000
Total Liabilities	4,580,906	8,504,691	13,085,597
Deferred inflows of resources			
Deferred tax revenues	619,111	-	619,111
Total Liabilities and Deferred Inflows of Resources	<u>5,200,017</u>	<u>8,504,691</u>	<u>13,704,708</u>
Fund balances (deficits)			
Nonspendable	1,137,371	-	1,137,371
Restricted	5,926,181	-	5,926,181
Assigned	86,323	-	86,323
Unassigned	7,612,771	(1,908,665)	5,704,106
Total Fund Balances (Deficits)	<u>14,762,646</u>	<u>(1,908,665)</u>	<u>12,853,981</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 19,962,663</u>	<u>\$ 6,596,026</u>	<u>\$ 26,558,689</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, 2017

Fund Balances - Total Governmental Funds	<u>\$ 12,853,981</u>
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>54,680,408</u>
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reflected as deferred in the funds. Deferred tax revenue	<u>619,111</u>
Governmental funds do not report the effect of losses on refunding bonds and liabilities relating to net pension liabilities whereas these amounts are deferred and amortized in the statement of activities. Deferred amounts on refunding bonds Deferred amounts on net pension liabilities	<u>984,133</u> <u>19,906,620</u>
	<u>20,890,753</u>
Long-term liabilities that are not due and payable in the current period are not reported in the funds. Accrued interest payable Bonds payable Bond anticipation notes payable Claims and tax certiorari payable Compensated absences Pension obligations Net pension liabilities Other post employment benefit obligations payable	(559,522) (38,402,054) (6,295,000) (10,449,359) (21,386,376) (4,502,522) (17,565,900) (51,372,316)
	<u>(150,533,049)</u>
Net Position of Governmental Activities	<u><u>\$ (61,488,796)</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 Balances
 Governmental Funds
 Year Ended February 28, 2017

	General	Capital Projects	Total Governmental Funds
REVENUES			
Real property taxes	\$ 42,168,440	\$ -	\$ 42,168,440
Other tax items	6,677,533	-	6,677,533
Non-property taxes	1,384,789	-	1,384,789
Departmental income	7,415,846	-	7,415,846
Intergovernmental revenues	10,292	-	10,292
Interfund revenues	1,088,000	-	1,088,000
Use of money and property	1,507,491	-	1,507,491
Net change in fair value of investments	136,454	-	136,454
Licenses and permits	1,913,906	-	1,913,906
Fines and forfeitures	2,930,601	-	2,930,601
Sale of property and compensation for loss	33,146	-	33,146
State aid	1,551,030	42,787	1,593,817
Federal aid	109,111	375,294	484,405
Miscellaneous	21,574	257,313	278,887
Total Revenues	66,948,213	675,394	67,623,607
EXPENDITURES			
Current			
General government support	12,236,117	-	12,236,117
Public safety	21,281,484	-	21,281,484
Health	2,282	-	2,282
Transportation	2,153,986	-	2,153,986
Economic opportunity and development	133,535	-	133,535
Culture and recreation	3,300,188	-	3,300,188
Home and community services	3,401,373	-	3,401,373
Employee benefits	18,901,617	-	18,901,617
Capital outlay	-	1,396,433	1,396,433
Debt service			
Principal	6,174,360	-	6,174,360
Interest	1,275,474	-	1,275,474
Refunding bond issuance costs	133,282	-	133,282
Total Expenditures	68,993,698	1,396,433	70,390,131
Deficiency of Revenues Over Expenditures	(2,045,485)	(721,039)	(2,766,524)
OTHER FINANCING SOURCES (USES)			
Insurance recoveries	538,736	-	538,736
Sale of real property	164,000	-	164,000
Bond anticipation notes issued	1,225,000	-	1,225,000
Refunding bonds issued	9,750,182	-	9,750,182
Issuance premium	1,433,684	-	1,433,684
Payment to refunded bond escrow agent	(11,050,584)	-	(11,050,584)
Transfers in	2,076,858	2,314,000	4,390,858
Transfers out	(2,314,000)	(2,076,858)	(4,390,858)
Total Other Financing Sources	1,823,876	237,142	2,061,018
Net Change in Fund Balances	(221,609)	(483,897)	(705,506)
FUND BALANCES (DEFICITS)			
Beginning of Year, as reported	10,010,279	(1,424,768)	8,585,511
Cumulative Effect of Change in Accounting Principle	4,973,976	-	4,973,976
Beginning of Year, as restated	14,984,255	(1,424,768)	13,559,487
End of Year	\$ 14,762,646	\$ (1,908,665)	\$ 12,853,981

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, 2017

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

Net Change in Fund Balances - Total Governmental Funds	\$ (705,506)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay expenditures	3,511,833
Depreciation expense	<u>(4,236,214)</u>
	(724,381)
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Real property taxes	<u>107,321</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Refunding bonds issued	(9,750,182)
Payment to refunded bond escrow agent	11,050,584
Issuance premium	(1,433,684)
Bond anticipation notes issued	(1,225,000)
Principal paid on bond anticipation notes	300,000
Principal paid on bonds	5,874,360
Amortization of loss on refunding bonds and issuance premium	<u>83,549</u>
	4,899,627
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued interest	(92,851)
Claims payable	1,645,637
Compensated absences	(1,604,355)
Pension obligations	527,917
Net pension liabilities, net of deferred amounts	(1,147,880)
Other post employment benefit obligations	<u>(6,427,547)</u>
	(7,099,079)
Change in Net Position of Governmental Activities	<u>\$ (3,522,018)</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, 2017

	Original Budget (1)	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Real property taxes	\$ 42,220,394	\$ 42,220,394	\$ 42,168,440	\$ (51,954)
Other tax items	6,979,989	6,979,989	6,677,533	(302,456)
Non-property taxes	1,039,000	1,039,000	1,384,789	345,789
Departmental income	7,345,200	7,345,200	7,415,846	70,646
Intergovernmental charges	6,500	6,500	10,292	3,792
Interfund charges	1,123,000	1,123,000	1,088,000	(35,000)
Use of money and property	1,257,152	1,257,152	1,643,945	386,793
Licenses and permits	1,592,138	1,592,138	1,913,906	321,768
Fines and forfeitures	3,786,384	3,786,384	2,930,601	(855,783)
Sale of property and compensation for loss	19,400	19,400	33,146	13,746
State aid	1,435,811	1,480,811	1,551,030	70,219
Federal aid	50,000	75,120	109,111	33,991
Miscellaneous	131,200	131,200	21,574	(109,626)
Total Revenues	66,986,168	67,056,288	66,948,213	(108,075)
EXPENDITURES				
Current				
General government support	11,827,256	12,643,405	12,236,117	407,288
Public safety	22,047,163	21,520,586	21,281,484	239,102
Health	3,350	3,350	2,282	1,068
Transportation	2,436,281	2,218,781	2,153,986	64,795
Economic opportunity and development	159,918	160,618	133,535	27,083
Culture and recreation	3,463,261	3,355,860	3,300,188	55,672
Home and community services	3,900,675	3,901,675	3,401,373	500,302
Employee benefits	17,375,051	18,990,445	18,901,617	88,828
Debt service				
Principal	6,903,974	6,200,974	6,174,360	26,614
Interest	1,453,575	1,453,575	1,275,474	178,101
Refunding bond issuance costs	-	133,282	133,282	-
Total Expenditures	69,570,504	70,582,551	68,993,698	1,588,853
Deficiency of Revenues Over Expenditures	(2,584,336)	(3,526,263)	(2,045,485)	1,480,778
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	800,000	800,000	538,736	(261,264)
Sale of real property	150,000	150,000	164,000	14,000
Bond anticipation notes issued	1,150,000	1,225,000	1,225,000	-
Refunding bonds issued	-	9,750,182	9,750,182	-
Issuance premium	-	1,433,684	1,433,684	-
Payment to refunded bond escrow agent	-	(11,050,584)	(11,050,584)	-
Transfers in	465,000	2,076,000	2,076,858	858
Transfers out	-	(2,314,000)	(2,314,000)	-
Total Other Financing Sources	2,565,000	2,070,282	1,823,876	(246,406)
Net Change in Fund Balance	(19,336)	(1,455,981)	(221,609)	1,234,372
FUND BALANCE				
Beginning of Year, as reported	19,336	1,455,981	10,010,279	8,554,298
Cumulative Effect of Change in Accounting Principle	-	-	4,973,976	4,973,976
Beginning of Year, as restated	19,336	1,455,981	14,984,255	13,528,274
End of Year	\$ -	\$ -	\$ 14,762,646	\$ 14,762,646

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

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

Incorporated Village of Freeport, New York

Statement of Net Position
 Proprietary Funds
 February 28, 2017

	Business-type Activities - Enterprise Funds		
	Water	Electric	Totals
ASSETS			
Current assets			
Cash and equivalents	\$ 290,954	\$ 3,064,163	\$ 3,355,117
Investments	674,488	5,737,421	6,411,909
Accounts receivable	2,977,930	4,465,313	7,443,243
Due from other funds	504,683	466,513	971,196
Inventories	84,139	2,646,446	2,730,585
Prepaid expenses	20,585	114,304	134,889
Total Current Assets	4,552,779	16,494,160	21,046,939
Non-current assets			
Costs to be recovered from future revenues	3,166,746	12,247,514	15,414,260
Regulatory deposit	-	40,020	40,020
Capital assets			
Not being depreciated	85,981	881,969	967,950
Being depreciated, net	16,662,820	61,546,305	78,209,125
Total Non-Current Assets	19,915,547	74,715,808	94,631,355
Total Assets	24,468,326	91,209,968	115,678,294
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts on refunding bonds	157,313	1,942,510	2,099,823
Deferred amounts on net pension liabilities	1,090,958	4,731,667	5,822,625
Total Deferred Outflows of Resources	1,248,271	6,674,177	7,922,448
LIABILITIES			
Current liabilities			
Accounts payable	269,733	1,417,316	1,687,049
Accrued interest payable	64,036	311,582	375,618
Accrued liabilities	17,669	-	17,669
Due to other funds	234,955	2,068,752	2,303,707
Due to other governments	-	132,867	132,867
Customer deposits	-	1,385,369	1,385,369
Regulatory liabilities	-	6,726,890	6,726,890
Bond anticipation notes payable	181,500	1,115,000	1,296,500
Unearned revenues	-	229,241	229,241
Total Current Liabilities	767,893	13,387,017	14,154,910
Non-current liabilities			
Due within one year	1,247,847	4,090,001	5,337,848
Due in more than one year	12,110,681	68,138,241	80,248,922
Total Non-Current Liabilities	13,358,528	72,228,242	85,586,770
Total Liabilities	14,126,421	85,615,259	99,741,680
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts on net pension liabilities	144,349	626,065	770,414
NET POSITION			
Net investment in capital assets	8,177,801	12,277,021	20,454,822
Unrestricted	3,268,026	(634,200)	2,633,826
Total Net Position	\$ 11,445,827	\$ 11,642,821	\$ 23,088,648

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, 2017

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Electric</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ 6,876,355	\$ 31,394,307	\$ 38,270,662
Interest and penalties	457,074	-	457,074
Miscellaneous	-	305,300	305,300
	<u>7,333,429</u>	<u>31,699,607</u>	<u>39,033,036</u>
Total Operating Revenues			
OPERATING EXPENSES			
Power generation	-	12,129,588	12,129,588
Power and pumping	2,028,904	-	2,028,904
Transmission and distribution services	234,372	1,456,990	1,691,362
Street lighting and signal system	-	171,788	171,788
Customer counting and collection	-	871,280	871,280
Administrative and general	2,262,169	9,379,563	11,641,732
Depreciation	753,156	3,019,378	3,772,534
Charges in lieu of taxes	1,344,150	3,747,000	5,091,150
Miscellaneous	-	251,492	251,492
	<u>6,622,751</u>	<u>31,027,079</u>	<u>37,649,830</u>
Total Operating Expenses			
Income from Operations	<u>710,678</u>	<u>672,528</u>	<u>1,383,206</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	2,832	38,350	41,182
Interest expense	(249,185)	(2,011,982)	(2,261,167)
Costs to be covered from future revenues	372,796	1,410,910	1,783,706
	<u>126,443</u>	<u>(562,722)</u>	<u>(436,279)</u>
Total Non-Operating Revenues (Expenses)			
Change in Net Position	837,121	109,806	946,927
NET POSITION			
Beginning of Year	<u>10,608,706</u>	<u>11,533,015</u>	<u>22,141,721</u>
End of Year	<u>\$ 11,445,827</u>	<u>\$ 11,642,821</u>	<u>\$ 23,088,648</u>

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

Incorporated Village of Freeport, New York

Statement of Cash Flows
 Proprietary Funds
 Year Ended February 28, 2017

	Business-type Activities - Enterprise Funds		
	Water	Electric	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from charges for services	\$ 7,276,984	\$ 28,739,406	\$ 36,016,390
Cash received from interfund services provided	-	2,509,487	2,509,487
Cash payments for goods, services and compensation	(3,978,106)	(22,235,391)	(26,213,497)
Cash payments for interfund services used	(1,326,221)	(2,895,548)	(4,221,769)
Net Cash From Operating Activities	1,972,657	6,117,954	8,090,611
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on bonds	(1,138,675)	(3,451,965)	(4,590,640)
Principal paid on bond anticipation notes	(10,000)	-	(10,000)
Bond anticipation notes issued	65,000	650,000	715,000
Interest paid on indebtedness	(246,339)	(2,032,824)	(2,279,163)
Acquisition and construction of capital assets	(65,514)	(1,037,928)	(1,103,442)
Net Cash From Capital and Related Financing Activities	(1,395,528)	(5,872,717)	(7,268,245)
CASH FLOW FROM INVESTING ACTIVITIES			
Sale of investments	-	(389,655)	(389,655)
Purchase of investments	(516,791)	-	(516,791)
Interest income	2,832	38,350	41,182
Net Cash From Investing Activities	(513,959)	(351,305)	(865,264)
Net Change in Cash and Equivalents	63,170	(106,068)	(42,898)
CASH AND EQUIVALENTS			
Beginning of Year	227,784	3,170,231	3,398,015
End of Year	\$ 290,954	\$ 3,064,163	\$ 3,355,117
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES			
Income from operations	\$ 710,678	\$ 672,528	\$ 1,383,206
Adjustments to reconcile income from operations to net cash from operating activities			
Depreciation	753,156	3,019,378	3,772,534
Changes in operating assets and liabilities			
Accounts receivable	(56,445)	(542,645)	(599,090)
Due from other funds	17,923	131,450	149,373
Due from other governments	-	3,456	3,456
Inventories	30,503	(143,328)	(112,825)
Prepaid expenses	(1,857)	(11,410)	(13,267)
Regulatory deposit	-	33,333	33,333
Accounts payable	47,227	91,635	138,862
Accrued liabilities	457	-	457
Due to other funds	17,929	851,452	869,381
Customer deposits	-	(42,975)	(42,975)
Regulatory liabilities	-	171,520	171,520
Pension obligations	(39,238)	(170,180)	(209,418)
Compensated absences	(5,404)	100,977	95,573
Net pension liabilities, net of deferred amounts	124,932	541,853	666,785
Other post employment benefit obligations payable	372,796	1,410,910	1,783,706
Net Cash from Operating Activities	\$ 1,972,657	\$ 6,117,954	\$ 8,090,611
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Refunding bonds issued	\$ 629,808	\$ 4,700,010	\$ 5,329,818
Issuance premium	92,606	492,585	585,191
Payment to refunded bond escrow agent	(713,805)	(5,122,176)	(5,835,981)
Refunding bond issuance costs	(8,609)	(70,419)	(79,028)

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, 2017

	<u>Agency</u>
ASSETS	
Cash and equivalents	\$ 261,184
Investments	17,162
Accounts receivable	<u>1,082,430</u>
 Total Assets	 <u><u>\$ 1,360,776</u></u>
 LIABILITIES	
Accounts payable	\$ 153,356
Deposits	1,098,311
Employee payroll deductions	<u>109,109</u>
 Total Liabilities	 <u><u>\$ 1,360,776</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, 2017

Note 1 - Summary of Significant Accounting Policies

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

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

A. Financial Reporting Entity

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

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

The Village of Freeport Community Development Agency ("Agency") is a public benefit corporation created by state legislation to promote the safety, health and welfare of the Village's inhabitants and to promote the sound growth and development of the Village. The Mayor of the Village serves as the Chairman and appoints the Community Development Commissioners. The Village acts as a pass-through entity for funding received from the Federal U.S. Department of Housing and Urban Development (HUD) through contracts with the County of Nassau ("County").

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

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Government-Wide Financial Statements

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

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

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

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

C. Fund Financial Statements

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Categories

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

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

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

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

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

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

Cash and Equivalents, Investments and Risk Disclosure

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

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

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

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

The Village follows the provisions of GASB Statement No. 72, "*Fair Value Measurements and Application*", which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 28, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

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

The pool is authorized to invest in various securities issued by the United States and its agencies, obligations of the State of New York and repurchase agreements. These investments are reported at fair value. CLASS issues separately available audited financial statements with a year end of June 30th. At June 30, 2016, the percentage of fair values to total pool assets by investment type are as follows:

<u>Asset Category</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level 3)</u>	<u>Other (Cost)</u>
Cash	33%	0%	0%	0%	33%
Repurchase agreements	31%	0%	31%	0%	0%
U.S. Government Treasury Securities	36%	36%	0%	0%	0%
Total	100%	36%	31%	0%	33%

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

Additional information concerning the cooperative is presented in the annual report of CLASS, which may be obtained from Public Trust Advisors, LLC, 999 18th Street, Suite 1230, Denver, CO 80202.

Risk Disclosure

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the Village's name. The Village's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at February 28, 2017.

Credit Risk - Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Village does not have a formal credit risk policy other than restrictions to obligations allowable under General Municipal Law of the State of New York.

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

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

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

Due From/To Other Funds - During the course of its operations, the Village has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of February 28, 2017, 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 rates for the sale of water and electricity in the Water and Electric funds includes amounts for postemployment benefits other than pensions that are expected to be paid out during the fiscal year, but not for the amount of the annual required contribution as calculated under Governmental Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions". In accordance with GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in the pre-November 30, 1989 Financial Accounting Standards Board ("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, 2017. 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, 2017 were determined as follows:

	<u>Water Fund</u>	<u>Electric Fund</u>
Costs excluded from ratemaking policies		
Annual OPEB costs recoverable from rate payers	\$ 561,378	\$ 2,385,256
Costs included in current year rates		
Amount of current year payments	<u>(188,582)</u>	<u>(974,346)</u>
Costs to be recovered from future revenues	372,796	1,410,910
Beginning	<u>2,793,950</u>	<u>10,836,604</u>
Ending	<u>\$ 3,166,746</u>	<u>\$ 12,247,514</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, 2017, the Village's regulatory assets and liabilities, as reported in the Electric Fund, were \$40,020 and \$6,726,890, respectively.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

The Electric Fund's capital assets are depreciated using rates based on studies of the estimated useful lives and estimated net values of the assets. Donated property, if any, is recorded at the fair market value of 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%

Note 1 - Summary of Significant Accounting Policies (Continued)

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 accumulated depreciation for the costs of materials salvaged; and (d) an increase to the account for the minimal amount of cash receipts received.

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

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

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate 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 \$984,133 and \$2,099,823 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 \$619,111 for real property taxes in the General Fund. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

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

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Compensated Absences - The various collective bargaining agreements provide for the payment of accumulated vacation and sick leave upon separation of service. The liability for such accumulated leave is reflected in the government-wide and proprietary fund financial statements as current and long-term liabilities. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement. The liability for compensated absences includes salary related payments, where applicable.

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

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

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

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

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 November 22, 2017.

Note 2 - Stewardship, Compliance and Accountability

A. Budgetary Data

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

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

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

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2017

Note 2 - Stewardship, Compliance and Accountability (Continued)

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 2017 fiscal year was \$69,952,955 which exceeded the actual levy, after exclusions by \$27,767,561.

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 Department of Labor with the result expressed as a decimal to four places. The Village is required to calculate its tax levy limit for the upcoming year in accordance with the provision above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limitation Law sets forth certain exclusions to the real property tax levy limitation of the Village, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the Village. The Village Board of Trustees may adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the Village Board of Trustees first enacts, by a vote of at least sixty percent of the total voting power of the Village Board of Trustees, a local law to override such limit for such coming fiscal year.

C. Cumulative Effect of Change in Accounting Principle

The Village, for the year ended February 28, 2017, implemented the requirements of GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68" that address financial reporting for assets accumulated for purposes of providing the Length of Service Awards Program ("LOSAP") pensions. As a result of

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2017

Note 2 - Stewardship, Compliance and Accountability (Continued)

adopting this standard, a cumulative effect for the change in accounting principle of \$4,973,976 was recorded in the General Fund and government-wide financial statement.

D. Inclusion of Component Unit

In the prior year, the financial statements did not include financial data for the Village's legally separate component unit, the Community Development Agency ("Agency"), as the information was not available. In the current year, the beginning net position of the governmental activities of the Agency was restated to reflect the inclusion of the component unit.

E. Capital Projects Fund Project Deficits

The unassigned deficit in the Capital Projects Fund of \$1,908,665 arises 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.

Note 3 - Detailed Notes on All Funds

A. Taxes Receivable

Taxes receivable at February 28, 2017 consisted of the following:

Tax liens	\$ <u>633,458</u>
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Taxes receivable are also partially offset by deferred tax revenues of \$619,111 which represents an estimate of the taxes receivable which will not be collected within the first sixty days of the subsequent year.

B. Due From/To Other Funds

The balances reflected as due from/to other funds at February 28, 2017 were as follows:

	<u>Due From</u>	<u>Due To</u>
Governmental Activities		
General	\$ 2,174,744	\$ 1,179,829
Capital Projects	839,270	501,674
Business-type Activities		
Water	504,683	234,955
Electric	466,513	2,068,752
	<u>\$ 3,985,210</u>	<u>\$ 3,985,210</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.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2017

Note 3 - Detailed Notes on All Funds (Continued)

C. Land and Buildings Held for Development and Sale – Component Unit

The Community Development Agency, a discretely presented component unit, has recorded \$3,081,286 as land and buildings held for development and sale. This amount includes land and property acquisition and other related closing costs.

D. Capital Assets

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

Class	Balance March 1, 2016	Additions	Deletions	Balance February 28, 2017
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 3,564,750	\$ 1,028,627	\$ -	\$ 4,593,377
Construction-in-progress	63,017	157,992	42,017	178,992
Total Capital Assets, not being depreciated	<u>\$ 3,627,767</u>	<u>\$ 1,186,619</u>	<u>\$ 42,017</u>	<u>\$ 4,772,369</u>
Capital Assets, being depreciated:				
Buildings	\$ 13,798,789	\$ 489,020	\$ -	\$ 14,287,809
Improvements Other Than Buildings	17,918,914	47,358	-	17,966,272
Machinery and Equipment	15,156,173	786,570	134,755	15,807,988
Intangibles - Software	1,245,155	500	-	1,245,655
Infrastructure	72,033,446	1,043,783	-	73,077,229
Total Capital Assets, being depreciated	<u>120,152,477</u>	<u>2,367,231</u>	<u>134,755</u>	<u>122,384,953</u>
Less Accumulated Depreciation for:				
Buildings	8,241,752	392,221	-	8,633,973
Improvements Other Than Buildings	9,828,249	728,801	-	10,557,050
Machinery and Equipment	11,592,408	762,777	134,755	12,220,430
Intangibles - Software	523,378	122,845	-	646,223
Infrastructure	38,189,668	2,229,570	-	40,419,238
Total Accumulated Depreciation	<u>68,375,455</u>	<u>4,236,214</u>	<u>134,755</u>	<u>72,476,914</u>
Total Capital Assets, being depreciated, net	<u>\$ 51,777,022</u>	<u>\$ (1,868,983)</u>	<u>\$ -</u>	<u>\$ 49,908,039</u>
Governmental Activities Capital Assets, net	<u>\$ 55,404,789</u>	<u>\$ (682,364)</u>	<u>\$ 42,017</u>	<u>\$ 54,680,408</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2017

Note 3 - Detailed Notes on All Funds (Continued)

Class	Balance March 1, 2016	Additions	Balance February 28, 2017
Water Fund:			
Capital Assets, not being depreciated - Land	\$ 85,981	\$ -	\$ 85,981
Capital Assets, being depreciated:			
Buildings	\$ 9,447,075	\$ -	\$ 9,447,075
Improvements Other Than Buildings	2,012,626	34,056	2,046,682
Machinery and Equipment	855,537	31,458	886,995
Infrastructure	19,685,634	-	19,685,634
 Total Capital Assets, being depreciated	 32,000,872	 65,514	 32,066,386
Less Accumulated Depreciation for:			
Buildings	2,229,505	184,544	2,414,049
Improvements Other Than Buildings	883,352	101,446	984,798
Machinery and Equipment	796,830	15,584	812,414
Infrastructure	10,740,723	451,582	11,192,305
 Total Accumulated Depreciation	 14,650,410	 753,156	 15,403,566
 Total Capital Assets, being depreciated, net	 \$ 17,350,462	 \$ (687,642)	 \$ 16,662,820
 Water Fund Capital Assets, net	 \$ 17,436,443	 \$ (687,642)	 \$ 16,748,801

Class	Balance March 1, 2016	Additions	Deletions	Balance February 28, 2017
Electric Fund:				
Capital Assets, not being depreciated:				
Land	\$ 84,239	\$ -	\$ -	\$ 84,239
Construction-in-progress	152,423	1,129,126	483,819	797,730
 Total Capital Assets, not being depreciated	 \$ 236,662	 \$ 1,129,126	 \$ 483,819	 \$ 881,969

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2017

Note 3 - Detailed Notes on All Funds (Continued)

Class	Balance March 1, 2016	Additions	Deletions	Balance February 28, 2017
Capital Assets, being depreciated:				
Buildings	\$ 11,832,927	\$ 44,347	\$ -	\$ 11,877,274
Machinery and Equipment	<u>107,218,583</u>	<u>456,003</u>	<u>286,520</u>	<u>107,388,066</u>
Total Capital Assets, being depreciated	<u>119,051,510</u>	<u>500,350</u>	<u>286,520</u>	<u>119,265,340</u>
Less Accumulated Depreciation for:				
Buildings	6,136,297	1,368,758	-	7,505,055
Machinery and Equipment	<u>48,742,151</u>	<u>1,650,620</u>	<u>178,791</u>	<u>50,213,980</u>
Total Accumulated Depreciation	<u>54,878,448</u>	<u>3,019,378</u>	<u>178,791</u>	<u>57,719,035</u>
Total Capital Assets, being depreciated, net	<u>\$ 64,173,062</u>	<u>\$ (2,519,028)</u>	<u>\$ 107,729</u>	<u>\$ 61,546,305</u>
Electric Fund				
Capital Assets, net	<u>\$ 64,409,724</u>	<u>\$ (1,389,902)</u>	<u>\$ 591,548</u>	<u>\$ 62,428,274</u>

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

Governmental Activities:	
General Government Support	\$ 182,158
Public Safety	651,953
Transportation	1,960,520
Culture and Recreation	755,317
Home and Community Services	<u>686,266</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 4,236,214</u>
Business-Type Activities:	
Water Fund	\$ 753,156
Electric Fund	<u>3,019,378</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 3,772,534</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 28, 2017

Note 3 - Detailed Notes on All Funds (Continued)

E. Accrued Liabilities

Accrued liabilities at February 28, 2017 were as follows:

	Governmental Activities	Business- Type Activities	Total
Payroll and employee benefits	\$ 389,167	\$ -	\$ 389,167
Other	39,627	17,669	57,296
Total Accrued Liabilities	<u>\$ 428,794</u>	<u>\$ 17,669</u>	<u>\$ 446,463</u>

F. Fire Service Awards Program

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

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

Current membership in the Program is comprised of the following:

Group	February 28, 2017
Active	202
Inactive participants	43
Retirees and beneficiaries currently receiving benefits	66
Terminated employees entitled to benefits but not yet receiving them	109

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 28, 2017

Note 3 - Detailed Notes on All Funds (Continued)

The Village Board has retained and designated Penflex, Inc. to assist in the administration of the Program. Based on the certified calendar year volunteer firefighter listings, Penflex, Inc. determines and certifies in writing the amount of the service award to be paid to a participant or to a participant's designated beneficiary. As authorized by the Village, Penflex, Inc. then directs the paying agent to pay the service award. No service award benefit payment is made without the written certification from Penflex, Inc. and written confirmation to the Village.

Program assets are required to be held in trust by Article 11-A of the General Municipal Law of the State of New York, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the Program. Authority to invest the Program's assets is vested in the Trustee. Program assets are invested in accordance with a statutory prudent person rule and in accordance with an investment policy adopted by the Village.

The Village is required to retain an actuary to determine the amount of the Village's contributions to the Program. The actuarial firm retained for this purpose is Penflex, Inc. Portions of the following information are derived from a report prepared by the actuary dated January 1, 2017.

Actuarial Present Value of Benefits at December 31, 2016		<u>\$ (7,539,221)</u>
Less: Assets Available for Benefits		
	<u>% of total</u>	
Cash	2.72 %	<u>\$ 144,792</u>
Fixed income mutual funds	22.71	<u>1,209,352</u>
International equities	9.99	<u>531,982</u>
US government obligations	44.43	<u>2,366,424</u>
Mixed assets	19.73	<u>1,050,522</u>
Accounts receivable	0.42	<u>22,609</u>
Total Net Assets Available for Benefits		<u>5,325,681</u>
Total Underfunded Benefits		<u>\$ (2,213,540)</u>

The investments above in fixed income mutual funds, international equities, US government obligations and mixed assets are measured using level 1 inputs as of December 31, 2016.

The Village is required to contribute the amounts necessary to finance the Program as actuarially determined using the entry age normal frozen initial liability cost method. The net pension obligation is not amortized on a separate basis. The assumed investment rate of return is 5.5% and there are no cost of living adjustments. In addition, projected salary increases are not applicable since members are volunteers and there are no assumptions regarding post-retirement benefit increases since post-retirement aged members are not projected to earn service credits.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2017

Note 3 - Detailed Notes on All Funds (Continued)

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

	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage of Annual Program Cost Contributed</u>	<u>Net Pension Obligation</u>
2016	\$ 381,875	\$ 381,875	100 %	\$ -
2015	360,385	360,385	100	-
2014	341,992	341,992	100	-

The schedule of funding progress for the defined benefit pension plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing relative to the actuarial accrued liability for the benefits over time.

The current contributions were charged to the General Fund. Administrative fees of \$1,732 were also charged to the General Fund in connection with the administration of the Program.

The following is an audited summary of the financial information for the Fire Service Awards Program for the year ended December 31, 2016:

BALANCE SHEET

ASSETS

Investments, at fair value:

Short-term investments	\$ 144,792
U.S. equities	1,209,352
International equities	531,982
Fixed income mutual funds	2,366,424
Mixed assets	1,050,522
	<u>5,303,072</u>

Accrued Interest	169
Accounts Receivable	<u>22,440</u>

Total Assets \$ 5,325,681

FUND BALANCE

Restricted \$ 5,325,681

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2017

Note 3 - Detailed Notes on All Funds (Continued)

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

REVENUES

Use of money and property	\$ 133,754
Pension contributions	360,385
Net change in fair value of investments	136,454
Total Revenues	630,593

EXPENDITURES

Pension benefits	277,156
Administrative costs	1,732
Total Expenditures	278,888
Excess of Revenues Over Expenditures	351,705

FUND BALANCE

Beginning of Year	4,973,976
End of Year	\$ 5,325,681

G. 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, 2016	New Issues	Redemptions	Balance February 28, 2017
<u>Governmental Funds</u>							
Various public improvements	5/06/2014	5/03/2017	2.00 %	\$ 3,495,500	\$ -	\$ 1,832,000	\$ 1,663,500
Various public improvements	2/10/2015	5/03/2017	2.00	302,000	-	57,000	245,000
Construction or replacement of the bulkhead at Water Front park	5/05/2015	5/03/2017	2.00	1,000,000	-	250,000	750,000
Various public improvements	5/07/2016	5/03/2017	2.00	-	2,335,000	-	2,335,000
Various public improvements	2/10/2015	5/03/2017	2.00	500,000	-	175,000	325,000
Various public improvements	5/07/2016	5/03/2017	2.00	-	1,375,500	-	1,375,500
Various public improvements	7/06/2016	5/03/2017	1.24	-	1,230,000	-	1,230,000
Total				\$ 5,297,500	\$ 4,940,500	\$ 2,314,000	\$ 7,924,000
<u>Business-type Activities - Water Fund</u>							
Reconstruction and repaving of roads including the reconstruction and replacement of water and sewer lines	5/06/2014	5/03/2017	2.00 %	\$ 126,500	\$ -	\$ 10,000	\$ 116,500
Construction or reconstruction of improvements to the Village's water system	5/03/2016	5/03/2017	2.00	-	65,000	-	65,000
				\$ 126,500	\$ 65,000	\$ 10,000	\$ 181,500
<u>Business-type Activities - Electric Fund</u>							
Purchase of two bucket trucks	2/09/2016	5/03/2017	2.00	\$ 465,000	\$ -	\$ -	\$ 465,000
Various public improvements	5/03/2016	5/03/2017	2.00	-	650,000	-	650,000
Total				\$ 465,000	\$ 650,000	\$ -	\$ 1,115,000

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2017

Note 3 - Detailed Notes on All Funds (Continued)

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

Interest expenditures of \$26,572 were recorded in the fund financial statements in the General Fund and interest expense of \$127,076 was recorded in the government-wide financial statements for governmental activities. Interest expense of \$3,388 and \$19,226 was recorded in the Water Fund and Electric Fund, respectively.

H. Long-Term Liabilities

The following table summarizes changes in the Village's long-term indebtedness for the year ended February 28, 2017:

	Balance March 1, 2016	New Issues/ Additions	Maturities and/or Payments	Balance February 28, 2017	Due Within One-Year
Governmental Activities:					
Bonds payable	\$ 43,001,269	\$ 9,750,182	\$ 16,141,388	\$ 36,610,063	\$ 5,556,837
Unamortized premium on bonds	535,170	1,433,684	176,863	1,791,991	-
	<u>43,536,439</u>	<u>11,183,866</u>	<u>16,318,251</u>	<u>38,402,054</u>	<u>5,556,837</u>
Bond anticipation notes payable	5,370,000	1,225,000	300,000	6,295,000	6,295,000
Claims payable	9,709,628	1,537,633	2,053,323	9,193,938	919,000
Tax certiorari payable	2,385,368	1,255,421	2,385,368	1,255,421	292,551
Compensated absences	19,782,021	3,582,355	1,978,000	21,386,376	2,138,000
Pension obligations	5,030,439	117,786	645,703	4,502,522	600,764
Net pension liability	2,274,077	15,291,823	-	17,565,900	-
Other post employment benefit obligations payable	44,944,769	9,830,554	3,403,007	51,372,316	-
Governmental Activities Long-Term Liabilities	<u>\$ 133,032,741</u>	<u>\$ 44,024,438</u>	<u>\$ 27,083,652</u>	<u>\$ 149,973,527</u>	<u>\$ 15,802,152</u>
Business-Type Activities:					
Bonds payable	\$ 61,868,732	\$ 5,329,818	\$ 9,983,610	\$ 57,214,940	\$ 4,803,162
Unamortized premium on bonds	2,364,709	585,191	179,561	2,770,339	-
	<u>64,233,441</u>	<u>5,915,009</u>	<u>10,163,171</u>	<u>59,985,279</u>	<u>4,803,162</u>
Compensated absences	3,137,651	409,573	314,000	3,233,224	323,000
Pension obligations	1,795,934	-	209,418	1,586,516	211,686
Net pension liability	1,122,638	4,244,853	-	5,367,491	-
Other post employment benefit obligations payable	13,630,554	2,946,634	1,162,928	15,414,260	-
Business - Type Activities Long-Term Liabilities	<u>\$ 83,920,218</u>	<u>\$ 13,516,069</u>	<u>\$ 11,849,517</u>	<u>\$ 85,586,770</u>	<u>\$ 5,337,848</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2017

Note 3 - Detailed Notes on All Funds (Continued)

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

Bonds Payable

Bonds payable at February 28, 2017 are comprised of the following individual issues:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rates	Governmental Funds	Business - Type Activities		Total
						Water Fund	Electric Fund	
2005 Refunding	2005	\$ 11,615,000	05/01/2018	3.375-5.000 %	\$ 590,000	\$ 194,000	\$ 1,976,000	\$ 2,760,000
2008 Series A	2008	23,693,927	05/01/2018	4.000	2,018,286	152,124	634,590	2,805,000
2008 Series B	2008	2,715,000	05/01/2018	5.750	-	-	390,000	390,000
2008 Series C	2008	3,515,000	10/15/2018	4.750-5.000	214,047	-	110,953	325,000
2011 Series A	2011	4,680,000	05/01/2022	3.000-3.625	2,255,000	570,000	-	2,825,000
2011 Series A - Refunding	2011	4,565,000	03/15/2018	1.500-2.250	1,022,268	195,405	47,330	1,265,003
2011 Series B - Refunding	2011	8,350,000	06/01/2024	1.500-4.000	3,249,499	1,251,191	929,310	5,430,000
2012 Series A - Refunding	2012	48,680,000	01/15/2032	2.000-5.000	-	-	39,830,000	39,830,000
2013 Series A	2013	5,965,000	05/01/2022	1.000-2.000	4,165,000	-	-	4,165,000
2014 Series A	2014	6,925,000	05/02/2028	2.000-3.000	5,113,000	967,000	-	6,080,000
2014 Series A - Refunding	2014	8,490,000	05/03/2024	2.000-5.000	4,485,962	756,046	102,992	5,345,000
2015 Series A - Refunding	2015	8,390,000	02/28/2026	1.000 - 4.000	3,807,370	3,601,817	220,813	7,630,000
2016 Series A - Refunding	2016	13,730,000	05/01/2028	.750 - 5.000	9,689,631	625,741	3,329,628	13,645,000
2016 Series B - Refunding	2016	1,350,000	05/01/2023	1.100 - 2.250	-	-	1,330,000	1,330,000
					<u>\$ 36,610,063</u>	<u>\$ 8,313,324</u>	<u>\$ 48,901,616</u>	<u>\$ 93,825,003</u>

Interest expenditures/expense of \$3,457,379 was recorded in the fund financial statements, as detailed below. Interest expense of \$1,048,658 was recorded in the government-wide financial statements for governmental activities.

Fund	Amount
Governmental Funds - General	\$ 1,218,826
Proprietary Funds	
Water	245,797
Electric	1,992,756
	<u>\$ 3,457,379</u>

Bond Anticipation Notes Payable

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

Purpose	Original Issue Date	Maturity Date	Interest Rate	Balance March 1, 2016	New Issues	Redemptions	Balance February 28, 2017
Tax certiorari/claims and judgments	2/10/2015	5/03/2017	2.00 %	\$ 3,670,000	\$ -	\$ 300,000	\$ 3,370,000
Tax certiorari/claims and judgments	2/09/2016	5/03/2017	2.00	1,700,000	-	-	1,700,000
Tax certiorari/claims and judgments	2/07/2017	5/03/2017	2.00	-	1,225,000	-	1,225,000
Total				<u>\$ 5,370,000</u>	<u>\$ 1,225,000</u>	<u>\$ 300,000</u>	<u>\$ 6,295,000</u>

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

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2017

Note 3 - Detailed Notes on All Funds (Continued)

Interest expenditures of \$30,076 were recorded in the fund financial statements in the General Fund and interest expense of \$109,042 was recorded in the government-wide financial statements for governmental activities.

Payments to Maturity

The annual requirements to amortize all bonded and bond anticipation note debt outstanding as of February 28, 2017, including interest payments of \$20,554,372 are as follows:

Year Ending February 28,	Governmental Activities			
	Bonds Payable		Bond Anticipation Notes Payable	
	Principal	Interest	Principal	Interest
2018	\$ 5,556,837	\$ 1,086,562	\$ 6,295,000	\$ 107,525
2019	5,547,995	902,801	-	-
2020	3,811,131	756,715	-	-
2021	3,920,356	648,973	-	-
2022	4,024,401	534,067	-	-
2023-2027	12,706,750	1,060,828	-	-
2028-2032	1,042,593	36,377	-	-
	<u>\$ 36,610,063</u>	<u>\$ 5,026,323</u>	<u>\$ 6,295,000</u>	<u>\$ 107,525</u>
Year Ending February 28,	Business-Type Activities			
	Water Fund		Electric Fund	
	Bonds Payable		Bonds Payable	
	Principal	Interest	Principal	Interest
2018	\$ 1,174,185	\$ 222,917	\$ 3,628,977	\$ 1,904,539
2019	1,187,951	186,659	3,804,056	1,732,392
2020	879,169	160,443	2,829,700	1,580,036
2021	895,753	138,357	2,958,892	1,455,212
2022	921,623	113,483	3,098,976	1,323,643
2023-2027	3,174,643	208,517	16,218,611	4,587,015
2028-2032	80,000	1,200	16,362,404	1,806,111
	<u>\$ 8,313,324</u>	<u>\$ 1,031,576</u>	<u>\$ 48,901,616</u>	<u>\$ 14,388,948</u>
Total				
Year Ending February 28,	Principal		Interest	
2018	\$ 16,654,999	\$ 3,321,543		
2019	10,540,002	2,821,852		
2020	7,520,000	2,497,194		
2021	7,775,001	2,242,542		
2022	8,045,000	1,971,193		
2023-2027	32,100,004	5,856,360		
2028-2032	17,484,997	1,843,688		
	<u>\$ 100,120,003</u>	<u>\$ 20,554,372</u>		

Note 3 - Detailed Notes on All Funds (Continued)

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

Advance Refunding

During the 2017 fiscal year, the Village issued \$9,750,182 in the General Fund, \$629,808 in the Water Fund and \$4,700,010 in the Electric Fund in refunding serial bonds with interest rates ranging from 0.75% to 5.0%, depending on maturity. The proceeds were used to advance refund \$15,660,000 of outstanding 2008A serial bonds bearing interest at a rate of 4.0% (\$8,781,874 in the General Fund, \$661,918 in the Water Fund and \$2,761,208 in the Electric Fund), 2008B serial bonds bearing interest at a rate of 5.75% (\$1,200,000 in the Electric Fund) and 2008C serial bonds bearing interest at rates ranging from 4.75 – 5.00% (\$1,485,154 in the General Fund and \$769,846 in the Electric Fund) The net proceeds of \$11,050,584 (including \$1,433,684 of issuance premium and after \$133,282 in underwriting fees and other issuance costs) in the General Fund, net proceeds of \$713,805 (including \$92,606 of issuance premium, \$8,609 in underwriting fees and other issuance costs) in the Water Fund and net proceeds of \$5,122,176 (including \$492,585 of issuance premium and after \$70,419 in underwriting fees and other issuance costs) in the Electric Fund were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the 2008A, 2008B and 2008C 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 \$783,556 in the governmental activities, \$51,887 in the Water Fund and \$125,374 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 2008A, 2008B and 2008C serial bonds to reduce its total debt service payments over 12 years by \$1,574,498 and to obtain a net present value economic gain of \$1,454,264.

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, 2017

Note 3 - Detailed Notes on All Funds (Continued)

An analysis of the unpaid claim liabilities is as follows:

	Workers' Compensation Benefits		General Liability	
	2017	2016	2017	2016
Balance - Beginning of Year	\$ 8,877,606	\$ 422,764	\$ 832,022	\$ 691,439
Provision for Claims and Claims Adjustment Expenses	591,032	684,047	946,601	1,138,923
Claims and Claims Adjustment Expenses Paid	(1,444,251)	(1,247,500)	(609,072)	(998,340)
Prior Period Adjustment	-	9,018,295	-	-
Balance - End of Year	<u>\$ 8,024,387</u>	<u>\$ 8,877,606</u>	<u>\$ 1,169,551</u>	<u>\$ 832,022</u>
Due Within One Year	<u>\$ 802,000</u>	<u>\$ 888,000</u>	<u>\$ 117,000</u>	<u>\$ 83,000</u>

This amount has been recorded as an expense and liability in the government-wide financial statements. Tax certiorari payable includes an estimated liability of \$1,255,421 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, 2017, the value of accumulated vacation time and sick leave for governmental and business-type activities was \$24,619,600.

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, 2017

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
2007 PFRS	\$ 363,562	\$ 79,974	\$ -	\$ -
2011 ERS	219,327	24,177	109,418	25,386
2012 ERS	810,977	79,175	442,703	82,144
2012 PFRS	473,278	46,206	258,356	47,939
2013 ERS	1,066,045	101,614	677,003	104,663
2013 PFRS	745,692	71,079	473,560	73,211
2014 ERS	1,498,544	136,211	1,104,207	141,209
2014 PFRS	1,247,658	113,406	919,341	117,569
2015 ERS	658,090	58,806	542,274	60,659
2015 PFRS	689,872	61,646	568,463	63,588
2016 ERS	596,628	51,543	545,085	53,198
2016 PFRS	362,126	31,284	330,842	32,288
2017 PFRS	117,786	-	117,786	10,596
	<u>\$ 8,849,585</u>	<u>\$ 855,121</u>	<u>\$ 6,089,038</u>	<u>\$ 812,450</u>

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

Fund	ERS	PFRS	Total
General	\$ 242,108	\$ 403,595	\$ 645,703
Water	39,238	-	39,238
Electric	170,180	-	170,180
	<u>\$ 451,526</u>	<u>\$ 403,595</u>	<u>\$ 855,121</u>

Pension Plans

New York State and Local Retirement System

The Village participates in the New York State and Local Employees' Retirement System ("ERS") and the New York State and Local Police and Fire Retirement System ("PFRS") which are collectively referred to as the New York State and Local Retirement System ("System"). These are cost-sharing, multiple-employer defined benefit pension plans. The System provides retirement benefits as well as death and disability benefits. The net position of the System is

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2017

Note 3 - Detailed Notes on All Funds (Continued)

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

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the System’s fiscal year ending March 31. The employer contribution rates for the plan’s year ending in 2017 are as follows:

	<u>Tier/Plan</u>	<u>Rate</u>
ERS	2 75I	19.8 %
	3 A14	16.0
	4 A15	16.0
	5 A15	13.1
	6 A15	9.3
	PFRS	2 384E
5 384E		20.2/23.7
6 384E		15.1

At February 28, 2017, the Village reported a liability of \$6,205,366 and \$5,367,491 for its proportionate shares of the net pension liabilities of ERS in the governmental and business-type activities, respectively, and a liability of \$11,360,534 for its proportionate share of the net pension liability of PFRS. The net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Village’s proportion of the net pension liability was based on a computation of the actuarially determined indexed present value of future compensation by employer relative to the total of all participating members. At March 31, 2016, the Village’s proportion was 0.0721038% for ERS, which was an increase of .0004535% from its proportion measured at March 31, 2015. At March 31, 2016, the Village’s proportion was .3836998% for PFRS, which was an increase of .0290553% from its proportion measured at March 31, 2015.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2017

Note 3 - Detailed Notes on All Funds (Continued)

For the year ended February 28, 2017, the Village recognized pension expense in the government-wide financial statements of \$3,026,027 and \$1,972,275 for ERS in the governmental activities and business-type activities, respectively, and \$4,317,809 for PFRS. Pension expenditures of \$3,757,979 for ERS and \$4,147,062 for PFRS inclusive of retirement incentives and other pension obligations were recorded in the fund financial statements and were charged to the following funds:

	<u>ERS</u>	<u>PFRS</u>
General Fund	\$ 1,785,704	\$ 4,147,062
Enterprise Fund - Water	374,531	-
Enterprise Fund - Electric	<u>1,597,744</u>	<u>-</u>
	<u>\$ 3,757,979</u>	<u>\$ 4,147,062</u>

At February 28, 2017, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>ERS - Governmental Activities</u>		<u>ERS - Business-type Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 31,358	\$ 735,543	\$ 27,123	\$ 636,226
Changes of assumptions	1,654,784	-	1,431,348	-
Net difference between projected and actual earnings on pension plan investments	3,681,364	-	3,184,290	-
Changes in proportion and differences between Village contributions and proportionate share of contributions	24,798	155,135	21,450	134,188
Village contributions subsequent to the measurement date	<u>1,339,244</u>	<u>-</u>	<u>1,158,413</u>	<u>-</u>
	<u>\$ 6,731,547</u>	<u>\$ 890,678</u>	<u>\$ 5,822,625</u>	<u>\$ 770,414</u>

	<u>PFRS - Governmental Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 101,894	\$ 1,717,576
Changes of assumptions	4,897,489	-
Net difference between projected and actual earnings on pension plan investments	6,366,661	-
Changes in proportion and differences between Village contributions and proportionate share of contributions	940,938	-
Village contributions subsequent to the measurement date	<u>3,476,345</u>	<u>-</u>
	<u>\$ 15,783,327</u>	<u>\$ 1,717,576</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 28, 2017

Note 3 - Detailed Notes on All Funds (Continued)

The amounts reported as deferred outflows of resources related to ERS and PFRS, respectively, resulting from the Village's accrued contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS and PFRS will be recognized in pension expense as follows:

<u>Year Ended March 31,</u>	<u>ERS Governmental Activities</u>	<u>ERS Business-type Activities</u>	<u>PFRS</u>
2017	\$ 1,129,270	\$ 976,791	\$ 2,484,508
2018	1,129,270	976,791	2,484,508
2019	1,129,270	976,791	2,484,508
2020	1,113,815	963,425	2,395,860
2021	-	-	740,022

The total pension liability for the March 31, 2016 measurement date was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liabilities to March 31, 2016. Significant actuarial assumptions used in the April 1, 2015 valuation were as follows:

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

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

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

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2017

Note 3 - Detailed Notes on All Funds (Continued)

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

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

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

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

	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
Governmental Activities proportionate share of the ERS net pension liability (asset)	<u>\$ 13,992,649</u>	<u>\$ 6,205,366</u>	<u>\$ (374,556)</u>
Business-type Activities proportionate share of the ERS net pension liability (asset)	<u>\$ 12,103,303</u>	<u>\$ 5,367,491</u>	<u>\$ (323,982)</u>
Village's proportionate share of the PFRS net pension liability (asset)	<u>\$ 25,374,947</u>	<u>\$ 11,360,534</u>	<u>\$ (386,582)</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2017

Note 3 - Detailed Notes on All Funds (Continued)

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

	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
Total pension liability	\$ 172,303,544,000	\$ 30,347,727,000	\$ 202,651,271,000
Fiduciary net position	<u>156,253,265,000</u>	<u>27,386,940,000</u>	<u>183,640,205,000</u>
Employers' net pension liability	<u>\$ 16,050,279,000</u>	<u>\$ 2,960,787,000</u>	<u>\$ 19,011,066,000</u>
Fiduciary net position as a percentage of total pension liability	<u>90.7%</u>	<u>90.2%</u>	<u>90.6%</u>

Employer contributions to ERS and PFRS are paid annually and cover the period through the end of the System's fiscal year, which is March 31st. Retirement contributions as of February 28, 2017 represent the employer contribution for the period of April 1, 2016 through February 28, 2017 based on paid ERS and PFRS wages multiplied by the employers' contribution rate, by tier.

Voluntary Defined Contribution Plan

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

Other Post Employment Benefit Obligations

In addition to providing pension benefits, the Village provides certain health care benefits for retired employees through a single employer defined benefit plan. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the Village may vary according to length of service. Substantially all of the Village's employees may become eligible for those benefits if they reach normal retirement age while working for the Village. The cost of retiree health care benefits is recognized as expenditure as claims are paid in the fund financial statements.

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

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
 February 28, 2017

Note 3 - Detailed Notes on All Funds (Continued)

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

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

<u>Year Ended February 28,</u>	<u>Pre- 65 Rate</u>
2018	8.00 %
2019	7.50
2020	7.00
2021	6.50
2022+	6.00

The amortization basis is the level percentage of payroll method with an open amortization approach with 21 years remaining in the amortization period. The actuarial assumptions included a 4% investment rate of return and a 2.5% annual payroll growth rate. The Village currently has no assets set aside for the purpose of paying postemployment benefits. The actuarial cost method utilized was the entry age normal cost method.

The number of participants as of February 28, 2017 was as follows:

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

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2017

Note 3 - Detailed Notes on All Funds (Continued)

	Governmental Funds	Business-type Activities		Total
		Water Funds	Electric Funds	
Amortization Component:				
Actuarial Accrued Liability as of March 1, 2016	\$ 114,020,261	\$ 7,465,796	\$ 29,617,245	\$ 151,103,302
Assets at Market Value	-	-	-	-
Unfunded Actuarial Accrued Liability	\$ 114,020,261	\$ 7,465,796	\$ 29,617,245	\$ 151,103,302
Covered Payroll (active plan members)	\$ 26,692,506	\$ 1,379,191	\$ 7,171,587	\$ 35,243,284
UAAL as a Percentage of Covered Payroll	427.16%	541.32%	412.98%	428.74%
Annual Required Contribution	\$ 10,351,127	\$ 593,739	\$ 2,510,771	\$ 13,455,637
Interest on OPEB Obligation	1,797,791	111,758	433,464	2,343,013
Adjustment to Annual Required Contribution	(2,318,364)	(144,119)	(558,979)	(3,021,462)
Annual OPEB Cost	9,830,554	561,378	2,385,256	12,777,188
Contributions Made	(3,403,007)	(188,582)	(974,346)	(4,565,935)
Increase in Net OPEB Cost	6,427,547	372,796	1,410,910	8,211,253
Net OPEB Obligation - Beginning of Year	44,944,769	2,793,950	10,836,604	58,575,323
Net OPEB Obligation - End of Year	\$ 51,372,316	\$ 3,166,746	\$ 12,247,514	\$ 66,786,576

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
2017	\$ 12,777,188	35.74 %	\$ 66,786,576
2016	9,449,342	33.86	58,575,323
2015	9,458,078	40.06	52,325,142

I. Revenues and Expenditures

Charges in Lieu of Taxes

The proprietary funds of the Village do not pay property taxes on their facilities. Instead, they make payments to the General Fund in lieu of taxes. The amounts charged to the Water and Electric Funds for the year ending February 28, 2017 were \$ 1,344,150 and \$3,747,000, respectively.

Interfund Transfers

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

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2017

Note 3 - Detailed Notes on All Funds (Continued)

<u>Transfers Out</u>	<u>Transfers In</u>		<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	
General Fund	\$ -	2,314,000	\$ 2,314,000
Capital Projects Fund	2,076,858	-	2,076,858
	<u>\$ 2,076,858</u>	<u>\$ 2,314,000</u>	<u>\$ 4,390,858</u>

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

J. 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.

Restricted for Pension Benefits - The component of net position that has been set aside to be used for LOSAP pension benefits in accordance with Article 11-A of the General Municipal Law of the State of New York.

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, 2017

Note 3 - Detailed Notes on All Funds (Continued)

K. Fund Balances

	2017			2016		
	General Fund	Capital Projects Fund	Total	General Fund	Capital Projects Fund	Total
Nonspendable:						
Long term receivables	\$ 384,986	\$ -	\$ 384,986	\$ 1,532,386	\$ -	\$ 1,532,386
Inventories	313,164	-	313,164	406,675	-	406,675
Prepaid expenditures	439,221	-	439,221	424,398	-	424,398
Total Nonspendable	<u>1,137,371</u>	<u>-</u>	<u>1,137,371</u>	<u>2,363,459</u>	<u>-</u>	<u>2,363,459</u>
Restricted:						
Debt service	600,500	-	600,500	520,316	-	520,316
Pension benefits	5,325,681	-	5,325,681	-	-	-
Total Restricted	<u>5,926,181</u>	<u>-</u>	<u>5,926,181</u>	<u>520,316</u>	<u>-</u>	<u>520,316</u>
Assigned -						
Purchases on order -						
General government support	86,323	-	86,323	19,336	-	19,336
Unassigned	7,612,771	(1,908,665)	5,704,106	7,107,168	(1,424,768)	5,682,400
Total Fund Balances (Deficits)	<u>\$ 14,762,646</u>	<u>\$ (1,908,665)</u>	<u>\$ 12,853,981</u>	<u>\$ 10,010,279</u>	<u>\$ (1,424,768)</u>	<u>\$ 8,585,511</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2017

Note 3 - Detailed Notes on All Funds (Continued)

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

Long-Term Receivables represents funds set aside to indicate the long term nature of a receivable related to PILOT payments from the Freeport Housing Authority. 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 transactions.

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

Note 4 - Summary Disclosure of Significant Contingencies

A. Litigation

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

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

B. Risk Management

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

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.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 28, 2017

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

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, 2017 were \$8,024,387 and \$1,169,551, respectively.

C. Contingencies

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

Note 5 - Tax Abatements

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

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

Copies of the agreements may be obtained from the Village. Information relevant to disclosure of these agreements for the fiscal year ended February 28, 2017 is as follows:

<u>Agreement</u>	<u>Taxable Assessed Value</u>	<u>Tax Rate</u>	<u>Tax Value</u>	<u>PILOT Received</u>	<u>Taxes Abated</u>
Freeport Housing Authority	\$ 2,321,943	\$ 0.62	\$ 1,446,478	\$ 107,693	\$ 1,338,785
Village of Freeport - Water	4,151,680	0.62	2,586,331	1,344,150	1,242,181
Village of Freeport - Electric	6,033,375	0.62	3,758,551	3,747,000	11,551
	<u>\$ 12,506,998</u>		<u>\$ 7,791,359</u>	<u>\$ 5,198,843</u>	<u>\$ 2,592,516</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Concluded)
February 28, 2017

Note 6 - Subsequent Events

The Village, on August 17, 2017, issued a \$3,860,000 bond anticipation note to finance various capital improvements and the purchase of equipment. The note is due on May 2, 2018 with interest at 2.00%.

The Village, on May 2, 2017, issued an \$11,530,500 bond anticipation note to refinance a currently outstanding note in the amount of \$13,065,500 after \$1,535,000 in principal payments. The note is due on May 3, 2018 with interest at 2.25%.

Incorporated Village of Freeport, New York

Required Supplementary Information - Schedule of Funding Progress

Other Post Employment Benefits

Last Three Fiscal Years

Valuation Date	Actuarial		Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
March 1, 2016	\$ -	\$ 151,103,302	\$ 151,103,302	- %	\$ 35,243,284	428.74 %
March 1, 2015	-	134,667,038	134,667,038	-	33,157,776	406.14
March 1, 2014	-	127,726,548	127,726,548	-	35,367,663	361.14

See independent auditors' report.

Incorporated Village of Freeport, New York

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

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

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

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

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

See independent auditors' report.

Incorporated Village of Freeport, New York

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

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

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

See independent auditors' report.

Incorporated Village of Freeport, New York

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

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

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

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

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

Incorporated Village of Freeport, New York

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

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

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

Incorporated Village of Freeport, New York

Required Supplementary Information - Schedule of Funding Progress
Fire Service Awards Program
Last Six Fiscal Years

<u>Actuarial Valuation Date December 31,</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>
2012 (1)	\$ 4,894,921	\$ 5,564,352	\$ 669,431	87.97 %
2013	5,035,216	5,803,841	768,625	86.76
2014	5,125,425	6,549,790	1,424,365	78.25
2015	4,973,976	6,867,786	1,893,810	72.42
2016	5,325,681	7,539,221 (2)	2,213,540	70.64

(1) Data could not be obtained prior to 2012

(2) The significant contributing factors for the increase were changes in the mortality table used, an increase in the number of participants, and more firefighters being of post-entitlement age

Incorporated Village of Freeport, New York

General Fund
 Combining Balance Sheet - Sub-Funds
 February 28, 2017
 (With Comparative Totals for February 29, 2016)

	General	Fire Service Awards Program	Totals	
			2017	2016
ASSETS				
Cash and equivalents	\$ 3,182,007	\$ -	\$ 3,182,007	\$ 3,664,538
Investments	6,044,829	5,303,072	11,347,901	5,647,201
Taxes receivable	633,458	-	633,458	542,513
Other receivables				
Accounts, net of allowance for doubtful accounts of \$0 in 2017 and \$688,822 in 2016	1,380,671	22,609	1,403,280	1,023,673
State and Federal aid	212,135	-	212,135	201,008
Due from other funds	2,174,744	-	2,174,744	1,384,866
Due from other governments	256,753	-	256,753	330,553
Due from component unit	-	-	-	1,442,944
	4,024,303	22,609	4,046,912	4,383,044
Inventories	313,164	-	313,164	406,675
Prepaid expenditures	439,221	-	439,221	424,398
Total Assets	\$ 14,636,982	\$ 5,325,681	\$ 19,962,663	\$ 15,068,369
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 2,962,338	\$ -	\$ 2,962,338	\$ 2,647,893
Accrued liabilities	428,794	-	428,794	490,765
Due to other funds	1,179,829	-	1,179,829	1,390,545
Due to other governments	9,945	-	9,945	9,841
Due to component unit	-	-	-	7,256
Total Liabilities	4,580,906	-	4,580,906	4,546,300
Deferred inflows of resources				
Deferred tax revenues	619,111	-	619,111	511,790
Total Liabilities and Deferred Inflows of Resources	5,200,017	-	5,200,017	5,058,090
Fund balances				
Nonspendable	1,137,371	-	1,137,371	2,363,459
Restricted	600,500	5,325,681	5,926,181	520,316
Assigned	86,323	-	86,323	19,336
Unassigned	7,612,771	-	7,612,771	7,107,168
Total Fund Balances	9,436,965	5,325,681	14,762,646	10,010,279
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 14,636,982	\$ 5,325,681	\$ 19,962,663	\$ 15,068,369

Incorporated Village of Freeport, New York

General Fund
 Combining Schedule of Revenues, Expenditures and
 Changes in Fund Balances - Sub-Funds
 Year Ended February 28, 2017
 (With Comparative Totals for February 29, 2016)

	General	Fire Service Awards Program		Totals	
			Program	Eliminations	2017
REVENUES					
Real property taxes	\$ 42,168,440	\$ -	\$ -	\$ 42,168,440	\$ 42,753,750
Other tax items	6,677,533	-	-	6,677,533	6,135,403
Non-property taxes	1,384,789	-	-	1,384,789	1,121,448
Departmental income	7,415,846	360,385	(360,385)	7,415,846	7,233,906
Intergovernmental revenues	10,292	-	-	10,292	9,846
Interfund revenues	1,088,000	-	-	1,088,000	1,088,000
Use of money and property	1,373,737	133,754	-	1,507,491	1,627,723
Net change in fair value of investments	-	136,454	-	136,454	-
Licenses and permits	1,913,906	-	-	1,913,906	1,256,807
Fines and forfeitures	2,930,601	-	-	2,930,601	2,436,705
Sale of property and compensation for loss	33,146	-	-	33,146	-
State aid	1,551,030	-	-	1,551,030	1,577,623
Federal aid	109,111	-	-	109,111	111,664
Miscellaneous	21,574	-	-	21,574	257,820
Total Revenues	66,678,005	630,593	(360,385)	66,948,213	65,610,695
EXPENDITURES					
Current					
General government support	12,236,117	-	-	12,236,117	10,838,898
Public safety	21,281,484	-	-	21,281,484	20,930,418
Health	2,282	-	-	2,282	2,736
Transportation	2,153,986	-	-	2,153,986	2,480,581
Economic opportunity and development	133,535	-	-	133,535	266,220
Culture and recreation	3,300,188	-	-	3,300,188	3,312,649
Home and community services	3,401,373	-	-	3,401,373	3,476,807
Employee benefits	18,983,114	278,888	(360,385)	18,901,617	17,724,928
Debt service					
Principal	6,174,360	-	-	6,174,360	5,652,444
Interest	1,275,474	-	-	1,275,474	1,681,675
Refunding bond issuance costs	133,282	-	-	133,282	69,717
Total Expenditures	69,075,195	278,888	(360,385)	68,993,698	66,437,073
Excess (Deficiency) of Revenues Over Expenditures	(2,397,190)	351,705	-	(2,045,485)	(826,378)
OTHER FINANCING SOURCES (USES)					
Insurance recoveries	538,736	-	-	538,736	731,515
Sale of real property	164,000	-	-	164,000	330,966
Bond anticipation notes issued	1,225,000	-	-	1,225,000	1,700,000
Refunding bonds issued	9,750,182	-	-	9,750,182	4,186,610
Issuance premium	1,433,684	-	-	1,433,684	111,335
Payment to refunded bond escrow agent	(11,050,584)	-	-	(11,050,584)	(4,228,227)
Transfers in	2,076,858	-	-	2,076,858	1,697,495
Transfers out	(2,314,000)	-	-	(2,314,000)	(2,230,000)
Total Other Financing Sources	1,823,876	-	-	1,823,876	2,299,694
Net Change in Fund Balances	(573,314)	351,705	-	(221,609)	1,473,316
FUND BALANCES					
Beginning of Year, as reported	10,010,279	-	-	10,010,279	8,536,963
Cumulative Effect of Change in Accounting Principle	-	4,973,976	-	4,973,976	-
Beginning of Year, as restated	10,010,279	4,973,976	-	14,984,255	8,536,963
End of Year	\$ 9,436,965	\$ 5,325,681	\$ -	\$ 14,762,646	\$ 10,010,279

Incorporated Village of Freeport, New York

General Fund
Comparative Balance Sheet - Sub-Fund

	February 28, 2017	February 29, 2016
ASSETS		
Cash and equivalents	\$ 3,182,007	\$ 3,664,538
Investments	6,044,829	5,647,201
Taxes receivable	633,458	542,513
Other receivables		
Accounts, net of allowance for doubtful accounts of \$0 in 2017 and \$688,822 in 2016	1,380,671	1,023,673
State and Federal aid	212,135	201,008
Due from other funds	2,174,744	1,384,866
Due from other governments	256,753	330,553
Due from component unit	-	1,442,944
	<u>4,024,303</u>	<u>4,383,044</u>
Inventories	313,164	406,675
Prepaid expenditures	439,221	424,398
Total Assets	<u>\$ 14,636,982</u>	<u>\$ 15,068,369</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 2,962,338	\$ 2,647,893
Accrued liabilities	428,794	490,765
Due to other funds	1,179,829	1,390,545
Due to other governments	9,945	9,841
Due to component unit	-	7,256
Total Liabilities	<u>4,580,906</u>	<u>4,546,300</u>
Deferred inflows of resources		
Deferred tax revenues	619,111	511,790
Total Liabilities and Deferred Inflows of Resources	<u>5,200,017</u>	<u>5,058,090</u>
Fund balance		
Nonspendable	1,137,371	2,363,459
Restricted	600,500	520,316
Assigned	86,323	19,336
Unassigned	7,612,771	7,107,168
Total Fund Balance	<u>9,436,965</u>	<u>10,010,279</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 14,636,982</u>	<u>\$ 15,068,369</u>

See independent auditors' report.

Incorporated Village of Freeport, New York

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

	February 28, 2017			
	Original Budget (1)	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Real property taxes	\$ 42,220,394	\$ 42,220,394	\$ 42,168,440	\$ (51,954)
Other tax items	6,979,989	6,979,989	6,677,533	(302,456)
Non-property taxes	1,039,000	1,039,000	1,384,789	345,789
Departmental income	7,345,200	7,345,200	7,415,846	70,646
Intergovernmental revenues	6,500	6,500	10,292	3,792
Interfund revenues	1,123,000	1,123,000	1,088,000	(35,000)
Use of money and property	1,257,152	1,257,152	1,373,737	116,585
Licenses and permits	1,592,138	1,592,138	1,913,906	321,768
Fines and forfeitures	3,786,384	3,786,384	2,930,601	(855,783)
Sale of property and compensation for loss	19,400	19,400	33,146	13,746
State aid	1,435,811	1,480,811	1,551,030	70,219
Federal aid	50,000	75,120	109,111	33,991
Miscellaneous	131,200	131,200	21,574	(109,626)
Total Revenues	66,986,168	67,056,288	66,678,005	(378,283)
EXPENDITURES				
Current				
General government support	11,827,256	12,643,405	12,236,117	407,288
Public safety	22,047,163	21,520,586	21,281,484	239,102
Health	3,350	3,350	2,282	1,068
Transportation	2,436,281	2,218,781	2,153,986	64,795
Economic opportunity and development	159,918	160,618	133,535	27,083
Culture and recreation	3,463,261	3,355,860	3,300,188	55,672
Home and community services	3,900,675	3,901,675	3,401,373	500,302
Employee benefits	17,375,051	18,990,445	18,983,114	7,331
Debt service				
Principal	6,903,974	6,200,974	6,174,360	26,614
Interest	1,453,575	1,453,575	1,275,474	178,101
Refunding bond issuance costs	-	133,282	133,282	-
Total Expenditures	69,570,504	70,582,551	69,075,195	1,507,356
Deficiency of Revenues Over Expenditures	(2,584,336)	(3,526,263)	(2,397,190)	1,129,073
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	800,000	800,000	538,736	(261,264)
Sale of real property	150,000	150,000	164,000	14,000
Bond anticipation notes issued	1,150,000	1,225,000	1,225,000	-
Refunding bonds issued	-	9,750,182	9,750,182	-
Issuance premium	-	1,433,684	1,433,684	-
Payment to refunded bond escrow agent	-	(11,050,584)	(11,050,584)	-
Transfers in	465,000	2,076,000	2,076,858	858
Transfers out	-	(2,314,000)	(2,314,000)	-
Total Other Financing Sources	2,565,000	2,070,282	1,823,876	(246,406)
Net Change in Fund Balance	(19,336)	(1,455,981)	(573,314)	882,667
FUND BALANCE				
Beginning of Year	19,336	1,455,981	10,010,279	8,554,298
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,436,965</u>	<u>\$ 9,436,965</u>

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

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

See independent auditors' report.

February 29, 2016

Original Budget (2)	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 42,588,929	\$ 42,588,929	\$ 42,753,750	\$ 164,821
6,025,317	6,025,317	6,135,403	110,086
1,039,000	1,039,000	1,121,448	82,448
7,180,130	7,180,130	7,233,906	53,776
75,000	75,000	9,846	(65,154)
1,088,000	1,088,000	1,088,000	-
1,275,021	1,275,021	1,627,723	352,702
1,375,638	1,375,638	1,256,807	(118,831)
1,870,000	1,870,000	2,436,705	566,705
-	-	-	-
2,225,133	2,242,133	1,577,623	(664,510)
50,000	50,000	111,664	61,664
133,200	290,450	257,820	(32,630)
<u>64,925,368</u>	<u>65,099,618</u>	<u>65,610,695</u>	<u>511,077</u>
11,689,792	12,060,908	10,838,898	1,222,010
20,564,566	21,042,601	20,930,418	112,183
2,800	2,800	2,736	64
2,361,252	2,518,252	2,480,581	37,671
233,417	268,417	266,220	2,197
3,432,605	3,432,705	3,312,649	120,056
3,907,082	3,512,082	3,476,807	35,275
16,749,546	17,707,546	17,724,928	(17,382)
6,087,674	5,647,674	5,652,444	(4,770)
1,791,942	1,741,942	1,681,675	60,267
-	69,717	69,717	-
<u>66,820,676</u>	<u>68,004,644</u>	<u>66,437,073</u>	<u>1,567,571</u>
<u>(1,895,308)</u>	<u>(2,905,026)</u>	<u>(826,378)</u>	<u>2,078,648</u>
450,000	450,000	731,515	281,515
13,400	13,400	330,966	317,566
1,150,000	2,850,000	1,700,000	(1,150,000)
-	4,186,610	4,186,610	-
-	111,335	111,335	-
-	(4,228,227)	(4,228,227)	-
230,000	1,700,000	1,697,495	(2,505)
-	(2,230,000)	(2,230,000)	-
<u>1,843,400</u>	<u>2,853,118</u>	<u>2,299,694</u>	<u>(553,424)</u>
(51,908)	(51,908)	1,473,316	1,525,224
51,908	51,908	8,536,963	8,485,055
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,010,279</u>	<u>\$ 10,010,279</u>

Incorporated Village of Freeport, New York

General Fund

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

Year Ended February 28, 2017

(With Comparative Actuals for February 29, 2016)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2016 Actual
REAL PROPERTY TAXES	\$ 42,220,394	\$ 42,220,394	\$ 42,168,440	\$ (51,954)	\$ 42,753,750
OTHER TAX ITEMS					
Interest and penalties on real property taxes	350,000	350,000	331,162	(18,838)	354,515
Payments in lieu of taxes	6,629,989	6,629,989	6,346,371	(283,618)	5,780,888
	<u>6,979,989</u>	<u>6,979,989</u>	<u>6,677,533</u>	<u>(302,456)</u>	<u>6,135,403</u>
NON-PROPERTY TAXES					
Non-property tax distribution from County	119,000	119,000	119,088	88	119,088
Utilities gross receipts tax	920,000	920,000	1,265,701	345,701	1,002,360
	<u>1,039,000</u>	<u>1,039,000</u>	<u>1,384,789</u>	<u>345,789</u>	<u>1,121,448</u>
DEPARTMENTAL INCOME					
Treasurer fees	4,000	4,000	9,956	5,956	9,713
Clerks fees	2,000	2,000	1,049	(951)	1,471
Attorney fees	50,000	50,000	34,721	(15,279)	32,654
Fire Department fees	34,000	34,000	33,534	(466)	34,231
Safety inspection fees	5,500	5,500	12,340	6,840	7,237
Public Works fees	155,610	155,610	86,485	(69,125)	71,270
Parking fees	335,000	335,000	326,797	(8,203)	326,531
Parking meter fees - non taxable	113,000	113,000	139,080	26,080	140,609
Other economic assistance and opportunity	9,000	9,000	9,000	-	10,000
Parks and recreation fees	2,106,900	2,106,900	2,181,621	74,721	2,045,655
Zoning and Appeals Board fees	10,000	10,000	21,105	11,105	12,395
Planning Board fees	20,000	20,000	21,226	1,226	21,125
Garbage fees	4,490,190	4,490,190	4,479,718	(10,472)	4,490,445
Sewer rent	5,000	5,000	56,854	51,854	28,200
Board of Architectural Review fees	5,000	5,000	2,360	(2,640)	2,370
	<u>7,345,200</u>	<u>7,345,200</u>	<u>7,415,846</u>	<u>70,646</u>	<u>7,233,906</u>
INTERGOVERNMENTAL REVENUES					
Fire protection	6,500	6,500	10,292	3,792	9,846

INTERFUND REVENUES	<u>1,123,000</u>	<u>1,123,000</u>	<u>1,088,000</u>	<u>(35,000)</u>	<u>1,088,000</u>
USE OF MONEY AND PROPERTY					
Interest earnings	75,000	75,000	141,870	66,870	14,393
Rental income	<u>1,182,152</u>	<u>1,182,152</u>	<u>1,231,867</u>	<u>49,715</u>	<u>1,613,330</u>
	<u>1,257,152</u>	<u>1,257,152</u>	<u>1,373,737</u>	<u>116,585</u>	<u>1,627,723</u>
LICENSES AND PERMITS					
Occupational licenses	150,000	150,000	167,780	17,780	131,739
Building permits	654,388	654,388	803,322	148,934	515,795
Other permits	<u>787,750</u>	<u>787,750</u>	<u>942,804</u>	<u>155,054</u>	<u>609,273</u>
	<u>1,592,138</u>	<u>1,592,138</u>	<u>1,913,906</u>	<u>321,768</u>	<u>1,256,807</u>
FINES AND FORFEITURES					
Justice court fines	<u>3,786,384</u>	<u>3,786,384</u>	<u>2,930,601</u>	<u>(855,783)</u>	<u>2,436,705</u>
SALE OF PROPERTY AND COMPENSATION FOR LOSS					
Minor sales	<u>19,400</u>	<u>19,400</u>	<u>33,146</u>	<u>13,746</u>	<u>-</u>
STATE AID					
Per capita	901,311	901,311	901,311	-	901,311
Mortgage tax	400,000	400,000	505,838	105,838	436,745
Public safety	90,000	135,000	94,733	(40,267)	161,948
Youth programs	17,000	17,000	-	(17,000)	-
Other	<u>27,500</u>	<u>27,500</u>	<u>49,148</u>	<u>21,648</u>	<u>77,619</u>
	<u>1,435,811</u>	<u>1,480,811</u>	<u>1,551,030</u>	<u>70,219</u>	<u>1,577,623</u>
FEDERAL AID					
Emergency Management Agency	50,000	50,000	19,153	(30,847)	88,664
Community Development Block Grant	-	25,120	62,600	37,480	23,000
Other	<u>-</u>	<u>-</u>	<u>27,358</u>	<u>27,358</u>	<u>-</u>
	<u>50,000</u>	<u>75,120</u>	<u>109,111</u>	<u>33,991</u>	<u>111,664</u>
MISCELLANEOUS					
Refunds of prior year's expenditures	110,000	110,000	-	(110,000)	94,590
Local public safety grants	-	-	-	-	163,180
Other	<u>21,200</u>	<u>21,200</u>	<u>21,574</u>	<u>374</u>	<u>50</u>
	<u>131,200</u>	<u>131,200</u>	<u>21,574</u>	<u>(109,626)</u>	<u>257,820</u>
TOTAL REVENUES	<u>66,986,168</u>	<u>67,056,288</u>	<u>66,678,005</u>	<u>(378,283)</u>	<u>65,610,695</u>

Incorporated Village of Freeport, New York

General Fund

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

Year Ended February 28, 2017

(With Comparative Actuals for February 29, 2016)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2016 Actual
OTHER FINANCING SOURCES					
Insurance recoveries	\$ 800,000	\$ 800,000	\$ 538,736	\$ (261,264)	\$ 731,515
Sale of real property	150,000	150,000	164,000	14,000	330,966
Bond anticipation notes issued	1,150,000	1,225,000	1,225,000	-	1,700,000
Refunding bonds issued	-	9,750,182	9,750,182	-	4,186,610
Issuance premium	-	1,433,684	1,433,684	-	111,335
Transfers in - Capital Projects Fund	465,000	2,076,000	2,076,858	858	1,697,495
TOTAL OTHER FINANCING SOURCES	<u>2,565,000</u>	<u>15,434,866</u>	<u>15,188,460</u>	<u>(246,406)</u>	<u>8,757,921</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 69,551,168</u>	<u>\$ 82,491,154</u>	<u>\$ 81,866,465</u>	<u>\$ (624,689)</u>	<u>\$ 74,368,616</u>

See independent auditors' report.

Incorporated Village of Freeport, New York

General Fund

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

Year Ended February 28, 2017

(With Comparative Actuals for February 29, 2016)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2016 Actual
GENERAL GOVERNMENT SUPPORT					
Village Board	\$ 91,560	\$ 91,960	\$ 85,237	\$ 6,723	\$ 81,411
Village Justices	658,762	658,762	605,701	53,061	599,290
Mayor	322,863	222,863	218,565	4,298	215,226
Comptroller	260,578	262,078	261,340	738	81,015
Audit	151,848	152,048	141,016	11,032	107,560
Treasurer	427,955	361,955	344,189	17,766	519,618
Purchasing	402,484	292,484	286,847	5,637	371,271
Assessor	251,002	251,002	230,739	20,263	150,615
Village Clerk	458,748	426,148	405,392	20,756	437,240
Attorney	798,764	683,764	679,212	4,552	728,222
Human resources	511,306	491,970	480,265	11,705	467,644
Elections	34,000	36,600	36,079	521	30,297
Public works	1,119,010	1,091,315	1,075,308	16,007	1,061,218
Public works administration	382,952	419,087	411,815	7,272	360,966
Buildings department	367,179	379,579	373,529	6,050	357,980
Central garage	916,897	994,997	979,270	15,727	928,983
Central data processing	803,848	823,348	758,234	65,114	641,593
Unallocated insurance	460,000	460,000	440,750	19,250	593,209
Human services	10,000	10,000	7,111	2,889	5,367
Judgments and claims	1,150,000	2,350,500	2,274,196	76,304	2,010,331
Property loss	850,000	650,000	609,072	40,928	998,340
Acquisition of land and buildings - component unit	-	1,436,645	1,436,645	-	-
Taxes and assessment on property	85,000	96,000	95,605	395	91,502
Contingency	1,312,500	300	-	300	-
	<u>11,827,256</u>	<u>12,643,405</u>	<u>12,236,117</u>	<u>407,288</u>	<u>10,838,898</u>

PUBLIC SAFETY

Police	19,165,674	18,721,751	18,621,101	100,650	18,154,741
Traffic control	70,031	70,231	68,843	1,388	64,707
On-Street parking	92,719	92,719	83,605	9,114	92,006
Fire	1,208,929	1,253,349	1,149,931	103,418	1,172,797
Control of animals	200	200	-	200	-
Safety inspection	1,369,929	1,224,049	1,204,802	19,247	1,341,228
Other	139,681	158,287	153,202	5,085	104,939
	<u>22,047,163</u>	<u>21,520,586</u>	<u>21,281,484</u>	<u>239,102</u>	<u>20,930,418</u>

HEALTH

Nursing services	<u>3,350</u>	<u>3,350</u>	<u>2,282</u>	<u>1,068</u>	<u>2,736</u>
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TRANSPORTATION

Administration	2,800	3,600	3,562	38	1,123
Maintenance of streets	772,371	614,071	590,141	23,930	723,678
Snow removal	175,300	115,300	92,673	22,627	269,265
Street lighting	1,440,310	1,440,310	1,427,610	12,700	1,429,258
Facilities maintenance	45,500	45,500	40,000	5,500	57,257
	<u>2,436,281</u>	<u>2,218,781</u>	<u>2,153,986</u>	<u>64,795</u>	<u>2,480,581</u>

ECONOMIC OPPORTUNITY AND DEVELOPMENT

Publicity	154,918	152,618	125,536	27,082	105,916
Materials and supplies	5,000	8,000	7,999	1	160,304
	<u>159,918</u>	<u>160,618</u>	<u>133,535</u>	<u>27,083</u>	<u>266,220</u>

CULTURE AND RECREATION

Community center	2,918,585	2,846,084	2,836,561	9,523	2,827,704
Arts Council	20,000	20,000	20,000	-	20,000
Library	49,000	49,000	20,188	28,812	22,894
Recreation	1,400	1,500	1,405	95	1,405
Tennis	3,000	3,000	-	3,000	-
Playgrounds	471,276	436,276	422,034	14,242	440,646
	<u>3,463,261</u>	<u>3,355,860</u>	<u>3,300,188</u>	<u>55,672</u>	<u>3,312,649</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, 2017
 (With Comparative Actuals for February 29, 2016)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2016 Actual
HOME AND COMMUNITY SERVICES					
Zoning	\$ 9,700	\$ 9,800	\$ 8,878	\$ 922	\$ 7,084
Planning	18,000	18,000	14,550	3,450	13,925
Sewer administration	1,650	9,450	9,403	47	1,626
Sanitary sewers	232,233	265,233	246,248	18,985	260,133
Refuse and garbage	3,484,672	3,469,672	3,013,857	455,815	3,046,284
Drainage	123,120	98,120	77,094	21,026	116,271
Composting	6,300	6,400	6,343	57	6,484
Other	25,000	25,000	25,000	-	25,000
	<u>3,900,675</u>	<u>3,901,675</u>	<u>3,401,373</u>	<u>500,302</u>	<u>3,476,807</u>
EMPLOYEE BENEFITS					
State Retirement	5,796,463	5,932,963	5,932,766	197	5,455,457
Social security	1,813,450	1,845,950	1,845,592	358	1,796,421
Workers' compensation benefits	700,000	1,445,000	1,444,251	749	1,247,500
Unemployment benefits	20,000	15,000	10,199	4,801	5,032
Hospital and medical insurance	8,441,000	9,040,000	9,039,041	959	8,650,697
Union welfare benefits	75,000	159,000	158,842	158	75,000
Length of service award contributions	341,991	360,385	360,385	-	345,091
Other	187,147	192,147	192,038	109	149,730
	<u>17,375,051</u>	<u>18,990,445</u>	<u>18,983,114</u>	<u>7,331</u>	<u>17,724,928</u>
DEBT SERVICE					
Principal					
Serial bonds	5,801,974	5,874,474	5,874,360	114	5,552,444
Bond anticipation notes	1,102,000	326,500	300,000	26,500	100,000
Interest					
Serial bonds	1,343,185	1,343,185	1,218,826	124,359	1,610,713
Bond anticipation notes	110,390	110,390	56,648	53,742	70,962
Refunding bond issuance costs	-	133,282	133,282	-	69,717
	<u>8,357,549</u>	<u>7,787,831</u>	<u>7,583,116</u>	<u>204,715</u>	<u>7,403,836</u>
TOTAL EXPENDITURES	<u>69,570,504</u>	<u>70,582,551</u>	<u>69,075,195</u>	<u>1,507,356</u>	<u>66,437,073</u>

OTHER FINANCING USES

Payment to refunded bond escrow agent	-	11,050,584	11,050,584	-	4,228,227
Transfers out					
Capital Projects Fund	-	2,314,000	2,314,000	-	2,230,000
TOTAL OTHER FINANCING USES	-	13,364,584	13,364,584	-	6,458,227
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 69,570,504</u>	<u>\$ 83,947,135</u>	<u>\$ 82,439,779</u>	<u>\$ 1,507,356</u>	<u>\$ 72,895,300</u>

See independent auditors' report.

Incorporated Village of Freeport, New York

Capital Projects Fund
Comparative Balance Sheet

	February 28, 2017	February 29, 2016
ASSETS		
Cash and equivalents	\$ 756,897	\$ 1,532,852
Investments	4,857,573	1,240,671
Receivables		
Accounts	105,749	92,697
State and Federal aid	36,537	548,204
Due from other funds	839,270	839,270
Due from other governments	-	406,377
	<u>981,556</u>	<u>1,886,548</u>
Total Assets	<u>\$ 6,596,026</u>	<u>\$ 4,660,071</u>
LIABILITIES AND FUND DEFICIT		
Liabilities		
Accounts payable	\$ 79,017	\$ 267,505
Due to other funds	501,674	519,834
Bond anticipation notes payable	7,924,000	5,297,500
	<u>8,504,691</u>	<u>6,084,839</u>
Total Liabilities	8,504,691	6,084,839
Fund deficit		
Unassigned	<u>(1,908,665)</u>	<u>(1,424,768)</u>
Total Liabilities and Fund Deficit	<u>\$ 6,596,026</u>	<u>\$ 4,660,071</u>

See independent auditors' report.

Incorporated Village of Freeport, New York

Capital Projects Fund

Comparative Statement of Revenues, Expenditures and Changes in Fund Balance
Years Ended

	February 28, 2017	February 29, 2016
REVENUES		
State aid	\$ 42,787	\$ 1,135,697
Federal aid	375,294	422,536
Miscellaneous	257,313	441,281
	<u>675,394</u>	<u>1,999,514</u>
EXPENDITURES		
Capital outlay	<u>1,396,433</u>	<u>3,426,460</u>
	<u>(721,039)</u>	<u>(1,426,946)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	2,314,000	2,230,000
Transfers out	<u>(2,076,858)</u>	<u>(1,697,495)</u>
	<u>237,142</u>	<u>532,505</u>
	<u>(483,897)</u>	<u>(894,441)</u>
FUND DEFICIT		
Beginning of Year	<u>(1,424,768)</u>	<u>(530,327)</u>
End of Year	<u><u>\$ (1,908,665)</u></u>	<u><u>\$ (1,424,768)</u></u>

See independent auditors' report.

Incorporated Village of Freeport, New YorkEnterprise Fund - Water Fund
Comparative Statement of Net Position

	February 28, 2017	February 29, 2016
ASSETS		
Current assets		
Cash and equivalents	\$ 290,954	\$ 227,784
Investments	674,488	157,697
Accounts receivable	2,977,930	2,921,485
Due from other funds	504,683	522,606
Inventories	84,139	114,642
Prepaid expenses	20,585	18,728
Total Current Assets	<u>4,552,779</u>	<u>3,962,942</u>
Non-current assets		
Costs to be recovered from future revenues	3,166,746	2,793,950
Non depreciable capital assets	85,981	85,981
Depreciable capital assets, net of accumulated depreciation	<u>16,662,820</u>	<u>17,350,462</u>
Total Non-Current Assets	<u>19,915,547</u>	<u>20,230,393</u>
Total Assets	<u>24,468,326</u>	<u>24,193,335</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts on refunding bonds	157,313	124,771
Deferred amounts on net pension liabilities	<u>1,090,958</u>	<u>309,726</u>
Total Deferred Outflows of Resources	<u>1,248,271</u>	<u>434,497</u>
LIABILITIES		
Current liabilities		
Accounts payable	269,733	222,506
Accrued interest payable	64,036	72,128
Accrued liabilities	17,669	17,212
Due to other funds	234,955	217,026
Bond anticipation notes payable	<u>181,500</u>	<u>126,500</u>
Total Current Liabilities	<u>767,893</u>	<u>655,372</u>
Non-current liabilities		
Due within one year	1,247,847	1,208,846
Due in more than one year	<u>12,110,681</u>	<u>12,121,385</u>
Total Non-Current Liabilities	<u>13,358,528</u>	<u>13,330,231</u>
Total Liabilities	<u>14,126,421</u>	<u>13,985,603</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts on net pension liabilities	<u>144,349</u>	<u>33,523</u>
NET POSITION		
Net investment in capital assets	8,177,801	7,792,705
Unrestricted	<u>3,268,026</u>	<u>2,816,001</u>
Total Net Position	<u>\$ 11,445,827</u>	<u>\$ 10,608,706</u>

See independent auditors' report.

Incorporated Village of Freeport, New YorkEnterprise Fund - Water Fund
Comparative Statement of Revenues, Expenses and
Changes in Net Position
Years Ended

	February 28, 2017	February 29, 2016
OPERATING REVENUES		
Charges for services	\$ 6,876,355	\$ 6,962,618
Interest and penalties	457,074	494,936
Total Revenue	<u>7,333,429</u>	<u>7,457,554</u>
OPERATING EXPENSES		
Power and pumping	2,028,904	2,037,315
Transmission and distribution services	234,372	319,320
Administrative and general	2,262,169	2,159,909
Depreciation	753,156	751,637
Charges in lieu of taxes	1,344,150	1,344,150
Total Operating Expenses	<u>6,622,751</u>	<u>6,612,331</u>
Income from Operations	<u>710,678</u>	<u>845,223</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	2,832	231
Interest expense	(249,185)	(298,811)
Costs to be recovered from future revenues	372,796	320,893
Total Non-Operating Revenues	<u>126,443</u>	<u>22,313</u>
Change in Net Position	<u>837,121</u>	<u>867,536</u>
NET POSITION		
Beginning of Year, as reported	10,608,706	9,757,547
Cumulative Effect of Change in Accounting Principle	<u>-</u>	<u>(16,377)</u>
Beginning of Year, as restated	<u>10,608,706</u>	<u>9,741,170</u>
End of Year	<u>\$ 11,445,827</u>	<u>\$ 10,608,706</u>

See independent auditors' report.

Incorporated Village of Freeport, New York

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

	February 28, 2017	February 29, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from charges for services	\$ 7,276,984	\$ 7,447,400
Cash payments for goods, services and compensation	(3,978,106)	(2,890,186)
Cash payments for interfund services used	(1,326,221)	(3,015,354)
	<u>1,972,657</u>	<u>1,541,860</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on bonds	(1,138,675)	(1,096,001)
Principal paid on bond anticipation notes	(10,000)	(10,000)
Bond anticipation notes issued	65,000	-
Advance refunding escrow	-	(273,166)
Interest paid on bonds	(246,339)	(264,958)
Acquisition and construction of capital assets	(65,514)	(8,659)
	<u>(1,395,528)</u>	<u>(1,652,784)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Sale of investments	-	115,409
Purchase of investments	(516,791)	-
Interest income	2,832	231
	<u>(513,959)</u>	<u>115,640</u>
Net Change in Cash and Equivalents	63,170	4,716
CASH AND EQUIVALENTS		
Beginning of Year	<u>227,784</u>	<u>223,068</u>
End of Year	<u>\$ 290,954</u>	<u>\$ 227,784</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Income from operations	\$ 710,678	\$ 845,223
Adjustments to reconcile income from operations to net cash from operating activities		
Depreciation	753,156	751,637
Changes in operating assets and liabilities		
Accounts receivable	(56,445)	(10,154)
Due from other funds	17,923	1,083,086
Inventories	30,503	9,859
Prepaid expenses	(1,857)	24,535
Accounts payable	47,227	148,079
Accrued liabilities	457	7,938
Due to other funds	17,929	(1,671,204)
Pension obligations	(39,238)	16,737
Compensated absences	(5,404)	97,468
Net pension liabilities, net of deferred amounts	124,932	(82,237)
Other post employment benefit obligations payable	372,796	320,893
	<u>\$ 1,972,657</u>	<u>\$ 1,541,860</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Refunding bonds issued	\$ 629,808	\$ 3,960,583
Issuance premium	92,606	105,325
Payment to refunded bond escrow agent	(713,805)	(4,273,121)
Refunding bond issuance costs	(8,609)	(65,953)

See independent auditors' report.

Incorporated Village of Freeport, New York

Enterprise Fund - Electric Fund
Comparative Statement of Net Position

	February 28, 2017	February 29, 2016
ASSETS		
Current assets		
Cash and equivalents	\$ 3,064,163	\$ 3,170,231
Investments	5,737,421	5,347,766
Accounts receivable	4,465,313	3,922,668
Due from other funds	466,513	597,963
Due from other governments	-	3,456
Inventories	2,646,446	2,503,118
Prepaid expenses	114,304	102,894
Total Current Assets	16,494,160	15,648,096
Non-current assets		
Costs to be recovered from future revenues	12,247,514	10,836,604
Regulatory deposit	40,020	73,353
Non depreciable capital assets	881,969	236,662
Depreciable capital assets, net of accumulated depreciation	61,546,305	64,173,062
Total Non-Current Assets	74,715,808	75,319,681
Total Assets	91,209,968	90,967,777
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts on refunding bonds	1,942,510	1,683,063
Deferred amounts on net pension liabilities	4,731,667	1,343,334
Total Deferred Outflows of Resources	6,674,177	3,026,397
LIABILITIES		
Current liabilities		
Accounts payable	1,417,316	1,325,681
Accrued interest payable	311,582	371,975
Due to other funds	2,068,752	1,217,300
Due to other governments	132,867	132,867
Customer deposits	1,385,369	1,428,344
Regulatory liabilities	6,726,890	6,555,370
Bond anticipation notes payable	1,115,000	465,000
Unearned revenues	229,241	229,241
Total Current Liabilities	13,387,017	11,725,778
Non-current liabilities		
Due within one year	4,090,001	3,860,763
Due in more than one year	68,138,241	66,729,224
Total Non-Current Liabilities	72,228,242	70,589,987
Total Liabilities	85,615,259	82,315,765
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts on net pension liabilities	626,065	145,394
NET POSITION		
Net investment in capital assets	12,277,021	11,036,354
Unrestricted	(634,200)	496,661
Total Net Position	\$ 11,642,821	\$ 11,533,015

See independent auditors' report.

Incorporated Village of Freeport, New York

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

	February 28, 2017	February 29, 2016
OPERATING REVENUES		
Charges for services	\$ 31,394,307	\$ 30,059,399
Miscellaneous	305,300	684,187
Total Revenues	<u>31,699,607</u>	<u>30,743,586</u>
OPERATING EXPENSES		
Power generation	12,129,588	11,619,573
Transmission and distribution services	1,456,990	1,470,830
Street lighting and signal system	171,788	102,826
Customer counting and collection	871,280	932,052
Administrative and general	9,379,563	8,158,575
Depreciation	3,019,378	3,007,627
Charges in lieu of taxes	3,747,000	3,797,000
Miscellaneous	251,492	456,902
Total Operating Expenses	<u>31,027,079</u>	<u>29,545,385</u>
Income from Operations	<u>672,528</u>	<u>1,198,201</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	38,350	6,478
Interest expense	(2,011,982)	(2,277,764)
Costs to be recovered from future revenues	1,410,910	1,258,410
Total Non-Operating Expenses	<u>(562,722)</u>	<u>(1,012,876)</u>
Change in Net Position	<u>109,806</u>	<u>185,325</u>
NET POSITION		
Beginning of Year, as reported	11,533,015	11,418,722
Cumulative Effect of Change in Accounting Principle	-	(71,032)
Beginning of Year, as restated	<u>11,533,015</u>	<u>11,347,690</u>
End Year	<u>\$ 11,642,821</u>	<u>\$ 11,533,015</u>

See independent auditors' report.

Incorporated Village of Freeport, New York

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

	February 28, 2017	February 29, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from charges for services	\$ 28,739,406	\$ 30,104,310
Cash received from interfund services provided	2,509,487	2,482,400
Cash payments for goods, services and compensation	(22,235,391)	(22,276,029)
Cash payments for interfund services used	(2,895,548)	(3,855,377)
Net Cash From Operating Activities	<u>6,117,954</u>	<u>6,455,304</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on bonds	(3,451,965)	(3,276,555)
Bond anticipation note issued	650,000	465,000
Interest paid on indebtedness	(2,032,824)	(2,331,412)
Acquisition and construction of capital assets	(1,037,928)	(1,070,447)
Net Cash From Capital and Related Financing Activities	<u>(5,872,717)</u>	<u>(6,213,414)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Sale of investments	(389,655)	-
Purchase of investments	-	(792,327)
Interest income	38,350	6,478
Net Cash From Investing Activities	<u>(351,305)</u>	<u>(785,849)</u>
Net Change in Cash and Equivalents	(106,068)	(543,959)
CASH AND EQUIVALENTS		
Beginning of Year	<u>3,170,231</u>	<u>3,714,190</u>
End of Year	<u>\$ 3,064,163</u>	<u>\$ 3,170,231</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Income from operations	\$ 672,528	\$ 1,198,201
Adjustments to reconcile income from operations to net cash from operating activities		
Depreciation	3,019,378	3,007,627
Changes in operating assets and liabilities		
Accounts receivable	(542,645)	1,994,927
Due from other funds	131,450	89,610
Due from other governments	3,456	38
Inventories	(143,328)	249,956
Prepaid expenses	(11,410)	109,466
Regulatory deposit	33,333	433,334
Accounts payable	91,635	(1,586,763)
Due to other funds	851,452	(58,377)
Customer deposits	(42,975)	(234,371)
Regulatory liabilities	171,520	170,631
Unearned revenues	-	(7,080)
Pension obligations	(170,180)	79,238
Compensated absences	100,977	107,134
Net pension liabilities, net of deferred amounts	541,853	(356,677)
Other post employment benefit obligations payable	1,410,910	1,258,410
Net Cash From Operating Activities	<u>\$ 6,117,954</u>	<u>\$ 6,455,304</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Refunding bonds issued	\$ 4,700,010	\$ 242,807
Issuance premium	492,585	6,457
Payment to refunded bond escrow agent	(5,122,176)	(245,221)
Refunding bond issuance costs	(70,419)	(4,043)

See independent auditors' report.