

**Village of Fairport, New York**

Financial Report

May 31, 2015

# Village of Fairport, New York

## Financial Report

May 31, 2015

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## Independent Auditor's Report

Mayor and Board of Trustees  
Village of Fairport, New York  
Fairport, New York

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Fairport, New York (Village) as of and for the year ended May 31, 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village'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, the business-type activities, each major fund, and the aggregate remaining fund information of the Village as of May 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedule of funding progress on pages 31 and 32, respectively, 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.

Management has omitted the management's discussion and analysis that the Governmental Accounting Standards Board requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2015, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

SaxBST LLP

Albany, New York  
November 5, 2015



# Village of Fairport, New York

## Statement of Net Position

		May 31, 2015		
		Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and equivalents	\$	2,463,320	\$ 2,561,398	\$ 5,024,718
Cash and cash equivalents, restricted		979,214	1,038,864	2,018,078
Receivables, net of uncollectibles		70,115	536,205	606,320
Inventories		142	927,172	927,314
Prepaid expenses		159,836	561,243	721,079
Due from other governments		257,695	-	257,695
State and federal receivables		106,038	-	106,038
Other assets		550	-	550
Internal balances		(13,727)	13,727	-
Total current assets		4,023,183	5,638,609	9,661,792
<b>NONCURRENT ASSETS</b>				
Land, construction in progress		1,049,628	657,974	1,707,602
Buildings, machinery, equipment, and infrastructure, net		21,489,145	28,913,138	50,402,283
Total noncurrent assets		22,538,773	29,571,112	52,109,885
Total assets		26,561,956	35,209,721	61,771,677
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
		-	44,361	44,361
<b>LIABILITIES AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and other current liabilities		206,535	1,169,277	1,375,812
Interest payable		-	6,459	6,459
Unearned revenues		-	293,700	293,700
Advance billings and payments		-	583,874	583,874
Due to NYS retirement system		-	72,136	72,136
Due to other governments		-	468,361	468,361
Customer deposits		-	250,871	250,871
Current maturities of long-term debt		355,000	412,500	767,500
Current maturities of notes payable		-	46,562	46,562
Total current liabilities		561,535	3,303,740	3,865,275
<b>NONCURRENT LIABILITIES</b>				
Bonds payable		2,170,000	4,249,807	6,419,807
Notes payable		-	270,694	270,694
Compensated absences		29,341	30,770	60,111
Other postemployment liability		1,608,886	939,219	2,548,105
Total noncurrent liabilities		3,808,227	5,490,490	9,298,717
Total liabilities		4,369,762	8,794,230	13,163,992
<b>NET POSITION</b>				
Net investment in capital assets		20,368,773	24,420,175	44,788,948
Restricted for				
Capital improvements		750,816	1,038,864	1,789,680
Insurance		28,331	-	28,331
Other		200,067	-	200,067
Unrestricted		844,207	1,000,813	1,845,020
Total net position		\$ 22,192,194	\$ 26,459,852	\$ 48,652,046

See accompanying Notes to Financial Statements.

# Village of Fairport, New York

## Statement of Activities

Year Ended May 31, 2015

Functions/Programs	Program Revenue			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>							
General government support	\$ 1,041,492	\$ 496,552	\$ 204,148	\$ -	\$ (340,792)	\$ -	\$ (340,792)
Public safety	2,300,356	829,621	15,306	-	(1,455,429)	-	(1,455,429)
Transportation	2,539,409	-	175,552	-	(2,363,857)	-	(2,363,857)
Economic opportunity and assistance	19,572	-	-	-	(19,572)	-	(19,572)
Culture and recreation	121,783	24,500	-	-	(97,283)	-	(97,283)
Home and community services	818,912	67,381	-	-	(751,531)	-	(751,531)
Interest on long-term debt	94,304	-	-	-	(94,304)	-	(94,304)
Total governmental activities	<u>6,935,828</u>	<u>1,418,054</u>	<u>395,006</u>	<u>-</u>	<u>(5,122,768)</u>	<u>-</u>	<u>(5,122,768)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Electric	21,377,118	21,737,473	-	-	-	360,355	360,355
Water	28,476	-	-	-	-	(28,476)	(28,476)
Total business-type activities	<u>21,405,594</u>	<u>21,737,473</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>331,879</u>	<u>331,879</u>
<b>Total government</b>	<u>\$ 28,341,422</u>	<u>\$ 23,155,527</u>	<u>\$ 395,006</u>	<u>\$ -</u>	<u>(5,122,768)</u>	<u>331,879</u>	<u>(4,790,889)</u>
<b>GENERAL REVENUES</b>							
Real property tax and related tax items					2,667,589	-	2,667,589
Non-property taxes					1,514,212	-	1,514,212
Other general revenue items					-	79,219	79,219
Sale of property and compensation for loss					13,086	-	13,086
Use of money and property					186,132	1,292	187,424
Total general revenues					<u>4,381,019</u>	<u>80,511</u>	<u>4,461,530</u>
<b>CHANGE IN NET POSITION</b>					(741,749)	412,390	(329,359)
<b>NET POSITION, beginning of year</b>					<u>22,933,943</u>	<u>26,047,462</u>	<u>48,981,405</u>
<b>NET POSITION, end of year</b>					<u>\$ 22,192,194</u>	<u>\$ 26,459,852</u>	<u>\$ 48,652,046</u>

See accompanying Notes to Financial Statements.

# Village of Fairport, New York

## Balance Sheet - Governmental Funds

	<b>May 31, 2015</b>		
	<b>General</b>	<b>Non-Major Funds</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,077,744	\$ 385,576	\$ 2,463,320
Cash and cash equivalents, restricted	979,214	-	979,214
Accounts receivable	70,115	-	70,115
Due from other governments	257,695	-	257,695
Due from other funds	-	997	997
Due from State and Federal government	106,038	-	106,038
Prepaid expenses	159,836	-	159,836
Other assets	-	550	550
	<b>\$ 3,650,642</b>	<b>\$ 387,123</b>	<b>\$ 4,037,765</b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 203,888	\$ 2,647	\$ 206,535
Due to other funds	14,724	-	14,724
	218,612	2,647	221,259
<b>FUND BALANCES</b>			
Nonspendable	159,836	-	159,836
Restricted	979,214	-	979,214
Committed	-	5,373	5,373
Assigned	266,583	379,103	645,686
Unassigned	2,026,397	-	2,026,397
Total fund balances	3,432,030	384,476	3,816,506
	<b>\$ 3,650,642</b>	<b>\$ 387,123</b>	<b>\$ 4,037,765</b>

See accompanying Notes to Financial Statements.

# Village of Fairport, New York

## Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

	<u>May 31, 2015</u>
Total fund balances in the fund financial statements for the governmental funds	\$ 3,816,506
This amount differs from the amount of net position shown in the statement of net position due to the following:	
Capital assets are included as assets in the government-wide statements and are added, net of accumulated depreciation.	22,538,773
Inventory for sale (cemetery plots) is included as an asset in the government-wide statements are added	142
Some liabilities (listed below) are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable	(2,525,000)
Compensated absences	(29,341)
Other postemployment benefits	<u>(1,608,886)</u>
<b>Total net position, <i>end of year</i></b>	<b><u>\$ 22,192,194</u></b>

## Village of Fairport, New York

### Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

	Year Ended May 31, 2015		
	General	Non-Major Funds	Total
<b>REVENUES</b>			
Real property taxes	\$ 2,424,219	\$ -	\$ 2,424,219
Real property tax items	243,370	-	243,370
Non-property tax items	1,514,212	-	1,514,212
Departmental revenues	30,299	-	30,299
Intergovernmental charges	868,892	-	868,892
Use of money and property	168,834	17,298	186,132
Fines and forfeitures	50,082	-	50,082
Licenses and permits	31,038	-	31,038
Sale of property and compensation for loss	13,086	-	13,086
Miscellaneous local sources	156,273	-	156,273
Interfund revenues	281,470	-	281,470
State aid	325,492	-	325,492
Federal aid	69,514	-	69,514
Total revenues	6,176,781	17,298	6,194,079
<b>EXPENDITURES</b>			
General government support	758,776	-	758,776
Public safety	1,608,133	-	1,608,133
Transportation	1,095,816	343,078	1,438,894
Economic opportunity and assistance	19,572	-	19,572
Culture and recreation	55,380	46,508	101,888
Home and community services	736,383	12,035	748,418
Employee benefits	1,320,969	-	1,320,969
Debt service			
Principal	355,000	-	355,000
Interest	94,304	-	94,304
Total expenditures	6,044,333	401,621	6,445,954
<b>Excess (deficiency) of revenues over expenditures</b>	<b>132,448</b>	<b>(384,323)</b>	<b>(251,875)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	-	656,662	656,662
Operating transfers out	(315,058)	(341,604)	(656,662)
	(315,058)	315,058	-
<b>Deficiency of revenues and other financing sources over expenditures and other financing uses</b>	<b>(182,610)</b>	<b>(69,265)</b>	<b>(251,875)</b>
<b>FUND BALANCES, <i>beginning of year</i></b>	<b>3,614,640</b>	<b>453,741</b>	<b>4,068,381</b>
<b>FUND BALANCES, <i>end of year</i></b>	<b>\$ 3,432,030</b>	<b>\$ 384,476</b>	<b>\$ 3,816,506</b>

See accompanying Notes to Financial Statements.

# Village of Fairport, New York

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities

	<u>May 31, 2015</u>	
Net change in fund balances shown for total governmental funds	\$	(251,875)
This amount differs from the change in net position shown in the statement of activities because of the following:		
Capital outlays for acquisition of capital assets are recorded in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which expenditures for acquisition of capital assets exceeded depreciation expense for the period.		
Capital expenditures and loss on disposal of capital assets	558,460	
Depreciation expense	<u>(1,370,126)</u>	(811,666)
Other postemployment obligations are not reported in the governmental funds. This liability is shown in the statement of net position as a noncurrent liability and in the statement of activities as an expense.		
		(32,392)
Bond principal payments are shown as expenditures in the governmental funds. These payments are shown in the statement of net position as a reduction of the related liabilities, and not shown as an expense in the statement of activities. This is the payment amount for the current year.		
		355,000
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; this includes compensated absences (vacation and sick leave).		
		<u>(816)</u>
Change in net position of governmental activities shown in the statement of activities	<u>\$</u>	<u>(741,749)</u>

# Village of Fairport, New York

## Statement of Net Position - Proprietary Funds

	May 31, 2015		
	Electric Fund	Water Fund	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 2,558,958	\$ 2,440	\$ 2,561,398
Cash and cash equivalents, restricted	1,038,864	-	1,038,864
Accounts receivable, net	536,205	-	536,205
Due from other funds	18,299	-	18,299
Inventory	927,172	-	927,172
Prepaid expenses	561,243	-	561,243
Total current assets	5,640,741	2,440	5,643,181
Capital assets, net	28,938,142	632,970	29,571,112
Total assets	34,578,883	635,410	35,214,293
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	44,361	-	44,361
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	647,390	-	647,390
Accrued interest payable	6,459	-	6,459
Accrued payroll related expenses	97,629	-	97,629
Accrued sales tax payable	19,021	-	19,021
Advance billings and payments	583,874	-	583,874
Customer deposits	250,871	-	250,871
Due to other funds	-	4,572	4,572
Due to other governments	468,361	-	468,361
Due to NYS retirement system	72,136	-	72,136
Unearned revenues	-	293,700	293,700
Other accrued liabilities	405,237	-	405,237
Bonds payable, due within one year	412,500	-	412,500
Notes payable, due within in one year	46,562	-	46,562
Total current liabilities	3,010,040	298,272	3,308,312
Noncurrent liabilities			
Bonds payable	4,249,807	-	4,249,807
Notes payable	270,694	-	270,694
Compensated absences	30,770	-	30,770
Other postemployment benefits	939,219	-	939,219
Total noncurrent liabilities	5,490,490	-	5,490,490
Total liabilities	8,500,530	298,272	8,798,802
<b>NET POSITION</b>			
Net investment in capital assets	24,002,939	632,970	24,635,909
Restricted	1,038,864	-	1,038,864
Unrestricted	1,080,911	(295,832)	785,079
Total net position	\$ 26,122,714	\$ 337,138	\$ 26,459,852

See accompanying Notes to Financial Statements.

## Village of Fairport, New York

### Statement of Revenues, Expenditures, and Changes in Net Position - Proprietary Funds

	Year Ended May 31, 2015		
	Electric Fund	Water Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 21,737,473	\$ -	\$ 21,737,473
<b>OPERATING EXPENSES</b>			
Personal services	2,600,801	-	2,600,801
Employee benefits	1,086,604	-	1,086,604
Contractual expenses			
Administration and other support	1,076,366	-	1,076,366
Services, supplies, and operations	15,088,329	10,145	15,098,474
Depreciation	1,364,696	18,331	1,383,027
Total operating expenses	21,216,796	28,476	21,245,272
<b>Operating income (loss)</b>	<b>520,677</b>	<b>(28,476)</b>	<b>492,201</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest revenue	1,288	4	1,292
Other revenue	45,310	-	45,310
Rental revenue	23,909	10,000	33,909
Interest expense	(160,322)	-	(160,322)
Total nonoperating revenues (expenses)	(89,815)	10,004	(79,811)
<b>Net income (loss)</b>	<b>430,862</b>	<b>(18,472)</b>	<b>412,390</b>
<b>NET POSITION, <i>beginning of year</i></b>	<b>25,691,852</b>	<b>355,610</b>	<b>26,047,462</b>
<b>NET POSITION, <i>end of year</i></b>	<b>\$ 26,122,714</b>	<b>\$ 337,138</b>	<b>\$ 26,459,852</b>

# Village of Fairport, New York

## Statement of Cash Flows - Proprietary Funds

	Year Ended May 31, 2015		
	Electric Fund	Water Fund	Total
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Cash received from providing services	\$ 22,202,548	\$ -	\$ 22,202,548
Cash payments for contractual expenses	(16,150,091)	(5,704)	(16,155,795)
Cash payments for personal services	(2,713,575)	-	(2,713,575)
Cash payments for employee benefits	(1,091,303)	-	(1,091,303)
	<b>2,247,579</b>	<b>(5,704)</b>	<b>2,241,875</b>
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Advances (to) from other Village funds	<b>(83,771)</b>	-	<b>(83,771)</b>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from bonds and notes	270,694	-	270,694
Principal payments on bonds and notes	(546,493)	-	(546,493)
Interest expense	(161,175)	-	(161,175)
Acquisition of capital assets	(1,155,648)	-	(1,155,648)
	<b>(1,592,622)</b>	-	<b>(1,592,622)</b>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>			
Interest and miscellaneous revenue received	<b>70,507</b>	<b>4</b>	<b>70,511</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>641,693</b>	<b>(5,700)</b>	<b>635,993</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>2,807,104</b>	<b>8,140</b>	<b>2,815,244</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 3,448,797</b>	<b>\$ 2,440</b>	<b>\$ 3,451,237</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 520,677	\$ (28,476)	\$ 492,201
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	1,364,696	18,331	1,383,027
Change in assets and liabilities			
Prepaid expenses	9,904	-	9,904
Accounts receivable	179,251	-	179,251
Inventory	68,188	-	68,188
Deferred inflows	78,302	-	78,302
Accounts payable and accrued expenses	(417,665)	-	(417,665)
Due to other funds	-	4,441	4,441
Accrued other postemployment benefits	13,794	-	13,794
Customer deposits	(57,915)	-	(57,915)
Accrued payroll	(122,172)	-	(122,172)
Accrued sales tax	19,021	-	19,021
Other liabilities	515,052	-	515,052
Due to other govts	85,541	-	85,541
Due to ERS	(6,531)	-	(6,531)
Compensated absences	(2,564)	-	(2,564)
	<b>\$ 2,247,579</b>	<b>\$ (5,704)</b>	<b>\$ 2,241,875</b>

See accompanying Notes to Financial Statements.

# Village of Fairport, New York

## Statement of Net Position - Fiduciary Fund

	<u>May 31, 2015</u>
	<u>Trust and Agency</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 33,419</u>
<b>LIABILITIES</b>	
Agency liabilities	<u>\$ 33,419</u>

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2015

### Note 1 - Organization and Summary of Significant Accounting Policies

The accompanying basic financial statements of the Village of Fairport, New York (Village) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) for governments. Such principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the standard-setting body for establishing government accounting and financial reporting principles in the United States of America.

The basic financial statements have been prepared primarily from accounts maintained by the Village Treasurer. Additional data has been derived from reports prescribed by the Village Treasurer and other Village departments.

#### *a. Financial Reporting Entity*

The Village was incorporated in 1867 and is governed by the Village Law and other general laws of the State of New York and various local laws. The Board of Trustees is the legislative body responsible for overall operations. The Mayor serves as Chief Executive Officer, and the Village Treasurer serves as the Chief Fiscal Officer.

The following basic services are provided: police, fire, sanitary and storm sewers, street maintenance, snow removal, sidewalks, garbage and refuse collection, and electric.

All governmental activities and functions performed for the Village are its direct responsibility. No other governmental organizations have been included or excluded from the 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 in GASB Statements No. 14 and No. 39.

The decision to include a potential component in the Village's reporting entity is based on several criteria set forth in GASB No. 14, *The Financial Reporting Entity*, and No. 39, *Determining Whether Certain Organizations Are Component Units*, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities considered in determining the Village's reporting entity:

Excluded from the reporting entity:

The Fairport Urban Renewal and Industrial Development Agencies are Public Benefit Corporations created by state legislation to promote the economic welfare, recreation opportunities, and prosperity of the Village inhabitants. Members of the agencies are appointed by the Board of Trustees, but the Board of Trustees exercises no oversight responsibility. Agency members have complete responsibility for management of the agencies and accountability for fiscal matters. The Village is not liable for agency bonds or notes.

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2015

### Note 1 - Organization and 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 of the non-fiduciary activities of the Village. The effect of interfund activity within the governmental and business-type activities has been eliminated 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 the direct expenses of a given function or program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been allocated and are reported as direct program expenses of individual functions and programs. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; grants and contributions that are restricted to meeting the operational requirements of a particular function or segment; and capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Taxes and other items not included as program revenues are reported as general revenues, as required.

Separate statements are provided for governmental funds, proprietary funds, and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. The Village has decided to present all governmental and proprietary funds as major based on qualitative factors.

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 and the internal service funds include the cost of services, administrative expenses, depreciation costs, 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 that 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. The Village maintains a fiduciary fund, which is used to account for assets held in an agency capacity. .

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2015

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *c. Fund Financial Statements - Continued*

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, reconciliations are 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 U.S. GAAP, as follows:

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 is the Village's major governmental fund:

General Fund - The General Fund constitutes the principal operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

The Village's non-major funds include Capital Projects, Permanent, and Debt Service.

Proprietary Funds - Proprietary funds reported by the Village are enterprise fund types. Enterprise 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 following are the Village's proprietary funds:

Water Fund - The Water Fund is used to account for the activities of a municipally-owned water utility that is leased and operated by the Monroe County Water Authority.

Electric Fund - The Electric Fund is self-supporting through charges to customers in the Village's franchise area based on electric usage. The Electric Fund is subject to regulation by the State of New York Public Service Commission (PSC) with respect to wholesale power purchased, rate structure, accounting, and other matters.

Fiduciary Funds - Fiduciary funds are used to account for assets held by the Village in an agency capacity on behalf of others. The following is the Village's fiduciary fund:

Trust and Agency - The Trust and Agency Fund is used to account for money (and/or property) received and held by the Village in the capacity of trustee, custodian, or agent.

#### *d. Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The accounting and financial reporting treatment is determined by the applicable 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.

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2015

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *d. Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued*

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenue in the year in which they are earned. Grants, entitlements, and donations are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are prepared 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 available when they are collected within the current period or collected within twelve months of the end of the current fiscal period. Receivables not expected to be collected within the next twelve months are offset by unearned revenues. Expenditures and related liabilities are generally recorded in the accounting period the liability is incurred to the extent it is expected to be paid within the next twelve months, with the exception of items covered by GASB Interpretation No. 6 (GASBI 6), *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. GASBI 6 requires that expenditures and liabilities, such as debt service, compensated absences, and claims and judgments be recorded in the governmental fund statements only when they mature or become due for payment within the period. Expenditure-driven grants are recognized as revenues when the qualifying expenditures have been incurred and all other grant requirements have been met. Nonexchange grants and subsidies are recognized as expenditures when all requirements of the grant and/or subsidy have been satisfied.

In addition, PSC regulations require that the records for the Electric Fund be maintained in accordance with the *Uniform System of Accounts for Municipal Electric Utilities*. The financial statements of the Electric Fund are presented in a form prescribed by the Federal Energy Regulatory Commission (FERC) and the PSC. Operating revenues of the Electric Fund are determined based on customer usage and demand charged at base rates for each consumer class approved by PSC. Purchased power costs incurred in excess of those costs included in the base rate calculation are passed on to the consumer at no profit or loss to the Electric Fund by means of a "Purchased Power Adjustment" (PPA) factor.

#### *e. Budgets*

Budgets are adopted on the modified accrual basis for governmental funds as required by the State of New York. Annual appropriated budgets are adopted for the General Fund, which employs a budgetary process based on the constraints of grant budgets.

The Village employs the following budgetary procedures:

- i. No later than March 15, the budget officer submits a tentative budget to the Village Clerk for the fiscal year commencing the following June 1. The tentative budget includes proposed expenditures and the proposed means of financing for all operating funds for the Village.
- ii. After a public hearing is conducted to obtain taxpayer comments, but no later than May 15, the Village adopts the budget.

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2015

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *e. Budgets - Continued*

- iii. All revisions that alter appropriations of any department or fund must be approved by the Village Board. Unencumbered budgetary appropriations lapse at the close of each fiscal year, with the exception of capital projects.
- iv. Budgetary appropriations are established for individual capital projects through resolutions authorizing the corresponding Capital Projects Fund to be established which remain in effect for the life of the project.

#### *f. Cash and Cash Equivalents*

Cash and cash equivalents consist of cash and time deposits, which mature no more than three months after the date purchased.

The Village's investment policies are governed by State statutes and various resolutions of the Board of Trustees. Village monies must be maintained in demand accounts or certificates of deposit in an FDIC-insured commercial bank or trust company authorized to do business in New York State. Other permissible investments include obligations of the U.S. Treasury, U.S. Agencies, and New York State or its localities.

The Village is required to collateralize its cash deposits in excess of the Federal Deposit Insurance Corporation limit. This collateral is in the form of government and government agencies' securities pledged by the bank, under a third-party trust agreement. As of May 31, 2015, the collateral was sufficient to secure the Village's deposits.

Restricted cash and cash equivalents are reserved for purposes stipulated by external parties and purposes established by the Board.

Reserved cash and cash equivalents are held by the Electric Fund for the following purposes:

*Depreciation Fund* - Transfers to this fund may be made up to, but not in excess of, the prior year's depreciation expense and are used for replacements of the utility plant. The balance in the Depreciation Fund was \$783,888 at May 31, 2015.

*Customer Deposits Fund* - The Electric Fund requires deposits from certain customers prior to providing service. Unused deposits are returned to customers when service is terminated. The balance of the Customer Deposits Fund was \$254,976 at May 31, 2015.

Reserved cash and cash equivalents are held by the General Fund for the following purposes:

*Capital Reserve* - The Capital Reserve is to fund future capital projects. The balance of the Capital Reserve was \$750,816 at May 31, 2015.

*Insurance Reserve* - This reserve was established to cover the deductibles of the Village's various insurance plans in the case of an emergency. The balance of the Insurance Reserve was \$28,331 at May 31, 2015.

*Other Reserve* - This reserve was established to hold assets seized by law enforcement during regular and special operations, until such time that it is determined the Village may retain the property. The balance of the Other Reserve was \$200,067 at May 31, 2015.

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2015

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *g. Short-Term Interfund Receivables/Payables*

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

#### *h. Accounts Receivable*

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. The allowance for doubtful accounts in the Electric Fund at May 31, 2015 was \$13,218.

Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than twenty days. The interest is charged on accounts receivable that are outstanding for more than one month overdue at .125% per month and is recognized as it is charged. Interest continues to accrue while an account remains active. Once service is terminated and a final bill is issued, interest charges are suspended.

#### *i. Inventory*

Inventory of the Electric Fund is valued using a rolling average unit cost method. Inventory materials recovered and returned to stock in construction, maintenance, or the retirement of operating property are valued at current replacement prices. Each year, the inventory is reviewed for obsolescence, and an adjustment is made to record the affected inventory item at its fair market value. There were no obsolete inventory items identified in the Electric Fund as of May 31, 2015.

Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed.

#### *j. Capital Assets*

##### *Governmental Funds*

Capital assets in governmental activities consist of land, buildings, machinery and equipment, and infrastructure and are used to carry out day-to-day government services. Depreciation of capital assets for governmental funds is computed using the straight-line method of depreciation over useful lives ranging from five to fifty years, but is not recorded as an expenditure in the related funds.

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2015

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *j. Capital Assets - Continued*

##### *Electric Fund*

Under the provisions of the *Uniform System of Accounts for Municipal Electric Utilities*, operating property is recorded at cost, including capitalized labor and overhead. Overhead costs include fringe benefits, warehouse, and truck costs. Operating property constructed with capital fees received from customers or other parties is included in utility plant. When operating property is retired, the book cost, together with the cost of removal, is charged to accumulated depreciation. The provision for depreciation has been computed, based on asset groups, under the straight-line method utilizing rates approved by the Electric Fund. These rates range from 1.7% to 12.5% per annum and are within the ranges recommended by FERC and the PSC.

##### *Water Fund*

Capital assets of the Water Fund include property, plant, and equipment with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the operating property using the straight-line method. Fixed assets are depreciated over lives ranging from seven to seventy years.

#### *k. Fixed Assets*

Management periodically reviews long-lived assets for impairment to determine whether any events or circumstances indicate the carrying value of the assets may not be recoverable. No impairment was identified in 2015.

Depreciation of capital assets is computed using the straight-line method of depreciation during the useful lives of the related assets, as the following schedule indicates:

Water Fund	
Plant	40 years
Equipment	5-40 years
Infrastructure	20-100 years
Electric Fund	
Plant	40 years
Equipment	10-50 years

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2015

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *l. Unearned Revenue*

Unearned revenue in the Proprietary Fund (Water) of \$293,700 represents a 40-year lease payment from the Monroe County Water Authority set to expire October 13, 2044. Revenue is recognized with the payment schedule set forth in the lease agreement.

#### *m. Advanced Billings and Payments*

Advanced billings and payments in the Electric Fund of \$434,849 represent the cumulative over collection of the Purchase Power Adjustment (PPA) applied to customer invoices. This amount was credited to customers through the PPA in June and July of 2015.

#### *n. Employee Benefits*

##### *Compensated Absences*

Pursuant to a resolution of the Village Board and contractual agreements, Village employees are entitled to accrue a maximum of 200 days of sick leave and 5 days of vacation leave. Employees with at least 60 days of sick leave may be paid for a maximum of 8 days, and employees with at least 180 days of sick leave may be paid for a maximum of 14 days of sick leave at the rate of \$150 per day paid in the first pay period of June; accumulated sick leave may not fall below 60 days. An individual who leaves the employment of the Village is entitled to be paid only for unused vacation leave. No payments are made for unused personal or sick leave. Members of the Village Police Department may accrue a maximum of 175 days of sick leave and 5 days of vacation leave. Police may be paid for a maximum of 8 days of personal, sick, and/or vacation leave at straight time in the pay check of the pay period containing the employee's anniversary date. Expenditures for these fringe benefits are recognized at the time the benefit is paid, and payments for any earned and unused leave credits will be funded in future budgets.

The liability for compensated absences was as follows:

	<u>May 31, 2015</u>
Governmental funds	\$ 29,341
Proprietary funds	<u>30,770</u>
	<u>\$ 60,111</u>

##### *Postretirement Benefits*

The Village provides health insurance coverage for employees with a minimum of 10 years of full-time service who retire into the NYS retirement system. The contribution is based on the Village's contribution for a one- or two-person policy at the time of retirement in the following percentages: 100% for employees with at least 20 years of service; 75% for employees with at least 15 years but less than 20 years of service; 50% for employees with at least 10 but less than 15 years of service. Non-police employees are covered for six years or until age 65, whichever is longer. For police with 10 but less than 15 years' service, 50% until age 65, and for police with more than 15 years of service, 100% until age 65.

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2015

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *n. Employee Benefits - Continued*

The Village participates in the Finger Lakes Health Insurance Trust, a consortium of local municipalities, that competitively bids credible experience rated coverage for the members of the trust. The Village recognizes the cost of providing such benefits by recording its share of insurance premiums as an expenditure the year paid. During the year, \$441,642 was paid by the Village, and \$361,521 was paid by the Electric and Water Funds on behalf of 55 employees and 19 retirees. The cost of providing benefits for retirees is not separable from the cost of providing benefits for active employees.

#### *o. Net Position*

Net position is reported as restricted when constraints placed on net position use are either:

- a. Externally imposed by creditors (such as debt covenants), grantors, contributors, laws, or regulations of other governments, or
- b. Imposed by law through constitutional provisions or enabling legislation.

The following terms are used in reporting net position:

*Net Investment in Capital Assets* consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted for Capital Improvements* consists of monies restricted for various capital purposes.

*Unrestricted* is the net amount of assets and liabilities that is not included in the determination of net investment in capital assets or restricted components of net position described above.

#### *p. Fund Balance*

Fund balance for governmental funds is reported in the following classifications which describe the relative strength of the constraints that control how specific amounts in the funds can be spent:

*Nonspendable* - Amounts that cannot be spent because they are either (a) not in spendable form, or (b) are legally or contractually required to be maintained intact.

*Restricted* - Amounts that have restraints that are either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed* - Amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action, such as legislation, resolution, or ordinance by the government's highest level of decision-making authority.

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2015

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *p. Fund Balance - Continued*

*Assigned* - Amounts that are constrained only by the government's intent to be used for a specified purpose but are not restricted or committed in any manner.

*Unassigned* - The residual amount in the General Fund after all of the other classifications have been established. In a Special Revenue Fund, if expenditures and other financing uses exceed the amounts restricted, committed, or assigned for those purposes, then a negative unassigned fund balance will occur.

The Village's fund balance policy is set by the Village Board, the highest level of decision-making authority. The Village Board considers "formal action" for a committed fund balance to be the passing of a Board resolution. The Board has delegated the ability to assign fund balance to the Treasurer. The Village considers fund balance spent in the order of restricted, committed, assigned, and unassigned.

Note 5 provides further details regarding the Village's fund balance classifications.

#### *q. Property Taxes*

Real property taxes are levied no later than May 15 and become a lien on June 1. The Village collects its own taxes. Taxes are collected during the month of June without penalty. A 5% penalty is assessed on taxes paid after July 1, and an additional 1% is assessed each month on taxes paid after July. Unpaid Village taxes are collected through tax sales.

#### *r. Subsequent Events*

The Village has evaluated subsequent events for potential recognition or disclosure through November 5, 2015, the date the financial statements were available to be issued.

#### *s. New Accounting Pronouncements*

The Village adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations* (GASB 69). GASB 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement provides specific accounting and financial reporting guidance for combinations in this environment and improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations.

The Village adopted the provisions of GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (GASB 70). This statement improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement provides financial reporting and disclosure guidance to those governments that extend and receive nonexchange financial guarantees, thereby enhancing comparability of financial statements among governments.

There was no significant impact to the financial statements as a result of adopting the aforementioned accounting standards.

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2015

### Note 2 - Stewardship, Compliance, and Accountability

Village administration prepares a proposed budget for approval by the Board of Trustees for the General Fund, the only fund with a legally adopted budget. The budget is adopted annually on a basis consistent with U.S. GAAP. Appropriations are adopted at the program line item level. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year and any appropriated reserve funds. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

### Note 3 - Capital Assets

The following is a summary of changes in the governmental activities' capital assets during the year:

	Balance at June 1, 2014	Additions	Disposals	Balance at May 31, 2015
<i>Depreciable assets</i>				
Buildings	\$ 2,976,842	\$ -	\$ -	\$ 2,976,842
Machinery and equipment	4,182,460	215,382	-	4,397,842
Infrastructure	45,802,870	-	-	45,802,870
Total capital assets	52,962,172	215,382	-	53,177,554
Accumulated depreciation	(30,318,283)	(1,370,126)	-	(31,688,409)
Total depreciable assets	22,643,889	(1,154,744)	-	21,489,145
<i>Non-depreciable assets</i>				
Land	706,550	-	-	706,550
Construction-in-progress	-	343,078	-	343,078
Total non-depreciable assets	706,550	343,078	-	1,049,628
Total capital assets, net	\$ 23,350,439	\$ (811,666)	\$ -	\$ 22,538,773

A summary of the proprietary funds' capital assets is as follows:

	Year Ended May 31, 2015		
	Electric Fund	Water Fund	Total
<i>Depreciable assets</i>			
Buildings	\$ 5,589,408	\$ -	\$ 5,589,408
Machinery and equipment	3,720,818	-	3,720,818
Distribution, transmission, and other operational equipment	-	1,075,774	1,075,774
Plant in service	40,247,381	-	40,247,381
Accumulated depreciation	49,557,607	1,075,774	50,633,381
Total depreciable assets, net	(21,264,162)	(456,081)	(21,720,243)
	28,293,445	619,693	28,913,138
<i>Non-depreciable assets</i>			
Land	600,069	13,277	613,346
Construction in progress	44,628	-	44,628
Total non-depreciable assets	644,697	13,277	657,974
Total capital assets, net	\$ 28,938,142	\$ 632,970	\$ 29,571,112

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2015

### Note 3 - Capital Assets - Continued

A summary of changes in the proprietary fund's capital assets during the year:

	Balance at June 1, 2014	Additions	Retirements or Transfers	Balance at May 31, 2015
<i>Depreciable assets</i>				
Buildings	\$ 5,589,408	\$ -	\$ -	\$ 5,589,408
Machinery and equipment	3,732,288	35,189	(46,659)	3,720,818
Improvements	1,075,774	-	-	1,075,774
Distribution, transmission, and other operational equipment	39,190,616	1,323,258	(266,493)	40,247,381
	<u>49,588,086</u>	<u>1,358,447</u>	<u>(313,152)</u>	<u>50,633,381</u>
Accumulated depreciation	(20,657,944)	(1,375,662)	313,363	(21,720,243)
Total depreciable assets, net	<u>28,930,142</u>	<u>(17,215)</u>	<u>211</u>	<u>28,913,138</u>
<i>Non-depreciable assets</i>				
Land	613,346	-	-	613,346
Construction in progress	102,321	-	(57,693)	44,628
Total non-depreciable assets, net	<u>715,667</u>	<u>-</u>	<u>(57,693)</u>	<u>657,974</u>
Total capital assets, net	<u>\$ 29,645,809</u>	<u>\$ (17,215)</u>	<u>\$ (57,482)</u>	<u>\$ 29,571,112</u>

The construction-in-progress primarily consists of the electric system upgrades in the Electric Fund, and these projects are anticipated to be complete in fiscal year 2016.

### Note 4 - Noncurrent and Debt Related Liabilities

#### a. Bond Indebtedness

A summary of changes in bonds payable is as follows:

	May 31, 2015		
	General Fund	Electric Fund	Total
Bonds payable, June 1, 2014	\$ 2,880,000	\$ 5,074,750	\$ 7,954,750
Repayments	<u>(355,000)</u>	<u>(447,500)</u>	<u>(802,500)</u>
Bonds payable, May 31, 2015	<u>\$ 2,525,000</u>	<u>\$ 4,627,250</u>	<u>\$ 7,152,250</u>

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2015

### Note 4 - Noncurrent and Debt Related Liabilities - Continued

a. Bond Indebtedness - Continued

A summary of the Village's bond issues at May 31, 2015, is as follows:

Description	Issue Date	Maturity Date	Interest Rate	Balance
<b>General Fund</b>				
2007 Public Improvement Serial Bond	2/2007	5/2027	4.125-4.25%	\$ 1,125,000
2011 Public Improvement Refunding Serial Bond	12/2011	11/2022	2.0-3.0%	850,000
2011 Public Improvement Serial Bond	9/2011	5/2030	2.91%	550,000
				<u>2,525,000</u>
<b>Electric Fund</b>				
2011 Public Improvement Refunding Serial Bond	12/2011	11/2022	2.0-3.0%	1,687,250
2011 Public Improvement Serial Bond	1/2014	4/2042	2.625-4.0%	2,940,000
				<u>4,627,250</u>
Total bonds payable				<u><u>\$ 7,152,250</u></u>

Interest expense on General Fund debt was \$94,304 for the year ended May 31, 2015. Interest expense in the Electric Fund was \$157,584.

The following is a summary of the future debt service requirements including the results of the refunding discussed above:

	Principal	Interest	Total
For the year ending May 31,			
2016	\$ 767,500	\$ 227,773	\$ 995,273
2017	772,500	205,898	978,398
2018	602,500	186,782	789,282
2019	597,500	169,003	766,503
2020	602,500	150,190	752,690
2021 through 2025	2,424,750	486,124	2,910,874
2026 through 2030	1,385,000	146,548	1,531,548
	<u>\$ 7,152,250</u>	<u>\$ 1,572,318</u>	<u>\$ 8,724,568</u>

b. Non-Current and Debt Related Liabilities

*Compensated Absences* - As explained in Note 1.m., the Village records the value of governmental fund type compensated absences in the governmental activities. The payment of compensated absences is dependent on many factors, and therefore, cannot be reasonably estimated as to future timing of payment. The annual budgets of the operating funds provide for such amounts as they become payable.

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2015

### Note 4 - Noncurrent and Debt Related Liabilities - Continued

#### b. Non-Current and Debt Related Liabilities

*Summary of Changes* - The following tables summarize changes in the Village's non-current and debt related liabilities:

Change in long-term liabilities - governmental activities:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 28,525	\$ 816	\$ -	\$ 29,341	\$ -
Other postemployment benefits	1,576,494	32,392	-	1,608,886	-
Bonds payable	2,880,000	-	(355,000)	2,525,000	355,000
Total	<u>\$ 4,485,019</u>	<u>\$ 33,208</u>	<u>\$ (355,000)</u>	<u>\$ 4,163,227</u>	<u>\$ 355,000</u>

Change in long-term liabilities - business type activities:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated absences	\$ 33,334	\$ -	\$ (2,564)	\$ 30,770	\$ -
Other postemployment benefits	925,425	13,794	-	939,219	-
Notes payable	140,853	270,694	(94,291)	317,256	46,562
Bonds payable	5,074,750	-	(447,500)	4,627,250	412,500
Total	<u>\$ 6,174,362</u>	<u>\$ 284,488</u>	<u>\$ (544,355)</u>	<u>\$ 5,914,495</u>	<u>\$ 459,062</u>

### Note 5 - Fund Balance

Fund balance is as follows:

	General	Nonmajor Governmental
Nonspendable	<u>\$ 159,836</u>	<u>\$ -</u>
Restricted for		
Insurance reserve	28,331	-
Capital reserve	750,816	-
Other reserves	200,067	19,000
	<u>979,214</u>	<u>19,000</u>
Committed	<u>-</u>	<u>5,373</u>
Assigned for		
Appropriated	217,782	-
Special revenue purposes	-	379,103
Other purposes	48,801	-
	<u>266,583</u>	<u>379,103</u>
Unassigned	<u>2,026,397</u>	<u>-</u>
Total fund balance	<u>\$ 3,432,030</u>	<u>\$ 403,476</u>

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2015

### Note 6 - Interfund Transactions

Interfund balances are as follows at May 31, 2015:

Due From Other Funds	Due To Other Funds			
	General	Capital Projects	Water	Total
General	\$ -	\$ 997	\$ -	\$ 997
Electric	14,724		4,572	19,296
	<u>\$ 14,724</u>	<u>\$ 997</u>	<u>\$ 4,572</u>	<u>\$ 20,293</u>

### Note 7 - New York State Retirement System

The Village participates in the New York State and Local Employees' Retirement System (System). This is a cost sharing, multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems.

The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of their funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

#### *Funding Policy*

The System is noncontributory, except for employees who joined the New York State and Local Employees' Retirement System after July 17, 1976, who contribute 3% of their salary for the first ten years of service and employees who joined on or after January 1, 2010, who generally contribute 3% of their salary for the 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 required contributions for the current year and the two preceding years were:

Year	ERS	PFRS
2015	\$ 769,289	\$ 194,255
2014	783,574	213,900
2013	714,609	192,153

Contributions made to the System were equal to 100% of the contributions required for each year.

Chapter 49 of the Laws of 2003 of the State of New York was enacted which made the following changes to the Systems:

- Requires minimum contributions by employers of 4.5% of payroll every year, including years in which the investment performance would make a lower contribution possible.
- Changes the cycle of annual billing such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1st.

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2015

### Note 7 - New York State Retirement System - Continued

Chapter 260 of the Laws of New York State changed the annual payment due date for employers who participate in the New York State and Local Employees' Retirement System. The December 15 payment due date changed to February 1. The covered salary period (April 1 - March 31) will not change for the calculation. The Village continues to make payment on December 15.

### Note 8 - Other Postemployment Benefits (OPEB)

#### *Plan Overview*

The Village provides certain health benefits subsequent to employment for eligible retirees. Effective March 30, 2007, the service requirement for receipt of health insurance in retirement is five consecutive years of service with the Village (ten years for all employees hired on or after March 30, 2007), and the employee must either: 1) continue to be employed by the Village on the last date immediately prior to retirement into the NYSERS; or 2) have been employed by the Village as his/her last public sector employer, and have continuously self-paid his/her health insurance premiums to, and remained enrolled in the Village's health insurance plan between the last date of service with the Village and the date of vesting receipt of benefits from the NYSERS, whichever is applicable, as set forth in the NYSERS Rules and Regulations (Part 256).

#### *Contributions*

The Village has agreed to contribute a payment of 50% for individual coverage and 35% for family coverage, toward all retirees' hospitalization insurance premium costs for eligible retirees. The Village contributes 100% of the premium payments for individual or family coverage for all employees covered by Article III(4)(b) during the employee's retirement.

#### *Funding Policy*

The contribution requirements of plan members and the Village are established and may be amended by the Village Board. The Village is not required to fund the plan other than the pay-as-you-go amount necessary to provide current benefits to retirees. For the fiscal year ended May 31, 2015, the Village paid approximately \$342,000 on behalf of the plan members.

#### *Annual OPEB Cost and Net OPEB Obligation*

The annual required contribution (ARC) represents a level of funding, that if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. Amounts "required" but not actually set aside to pay for these benefits are accumulated with interest as part of the net OPEB obligation, after adjusting for amounts previously "required." The Village's actual OPEB cost for the year, the amount actually paid on behalf of the plan, and changes in the Village's OPEB obligation to the plan for the year ended May 31, 2015, are as follows:

Annual required contribution	\$ 177,544
Interest on net OPEB obligation	100,899
Adjustment to annual required contribution	<u>(104,490)</u>
Annual OPEB cost/expense	173,953
Contributions made (expected)	(148,334)
Net OPEB obligation, <i>beginning of year</i>	<u>2,522,486</u>
Net OPEB obligation, <i>end of year</i>	<u><u>\$ 2,548,105</u></u>

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2015

### Note 8 - Other Postemployment Benefits (OPEB) - Continued

#### *Actuarial Methods and Assumptions*

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

The following simplifying assumptions were made:

*Retirement age for active employees* - Based on the historical average retirement age for the covered group according to the New York State Retirement System schedule, active non-police plan members were assumed to retire from age fifty-five to seventy. Police plan members are assumed to from age fifty-nine and older.

*Marital status* - 70% of employees are assumed married. Females are assumed to be three years younger than males. Actual spouse coverage information was used for retirees where available.

*Mortality* - Life expectancies were based on RP 2000 mortality tables for males and females.

*Turnover* - The 2003 Society of Actuaries small plan withdrawal, scaled 75% for police, was used as the basis for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

*Healthcare cost trend rate* - The expected rate of increase in healthcare insurance premiums ranged from 7.8%, starting in 2014, to 5.3% in 2020.

*Health insurance premiums* - 2014 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

*Payroll growth rate* - No salary increases were assumed since benefits are not based on compensation.

Based on the historical and expected returns of the Village's short-term investment portfolio, a discount rate of 4% was used. In addition, the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over a thirty-year period.

The actuarial assumptions used to establish retiree contribution rates include trend rates of annual healthcare costs of 8% for medical, 8% for pharmacy, 3.5% for dental, and 3% for vision for the first fiscal year in the valuation declining each year to an ultimate trend rate of 4.7% for both medical and pharmacy.

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2015

### **Note 9 - Commitments and Contingencies**

#### *Power Supply and Transmission Contracts*

Electric power distributed by the Electric Fund is obtained from the New York Power Authority (NYPA) under a supply contract which expires during 2025. The Electric Fund is entitled to a specific amount of kilowatts of firm hydroelectric power and associated energy. Demand, energy, and transmission charges under this contract are subject to change and approval of regulatory authorities. There are no minimum capacity or other fixed charge components to this contract. Electric purchases under this contract totaled \$5,688,248 for the year ended May 31, 2015.

The Village's Electric Fund also purchases power in excess of that supplied by NYPA from the New York Municipal Power Agency (NYMPA), a not-for-profit joint action organization of which the Village is a member, and National Grid. Electric purchases, transmission charges, and other related charges under these agreements totaled \$5,473,214 and 2,056,469, respectively, for the year ended May 31, 2015.

#### *New York Independent System Operators (NYISO)*

NYISO is a not-for-profit corporation under the aegis of the Federal Electric Regulatory Commission, with responsibility to provide free access to the electric transmission facilities within New York State. All NYISO costs are billed to users of the electric transmission grid. Pricing is market based rather than cost based. NYISO charges totaled \$526,656 for the year ended December 31, 2014. These costs are included in electricity purchased.

#### *Lease for Operation of Water System*

The Village entered into a retail lease agreement for the operation of its water and distribution system with the Monroe County Water Authority on October 13, 2004. The forty (40) year lease requires the Monroe County Water Authority to assume responsibility and cost for all repairs and replacements done to the system. The Village retains sole rights to revenues derived from antennae lease agreements in place prior to the lease agreement and will share in any additional agreement after that date. The Authority also assumes the responsibility for payment of the bond associated with the Fairport Municipal Commission Operations building allocated to the water operations prior to the agreement.

### **Note 10 - Accounting Pronouncements Issued But Not Yet Implemented**

Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement.

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2015

### **Note 10 - Accounting Pronouncements Issued But Not Yet Implemented - Continued**

The scope of this statement also addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have certain characteristics as defined in the statement. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. This statement is effective for periods beginning after June 15, 2014, with early implementation encouraged.

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement amends paragraph 137 of statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability previously this was required not to be reported. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. This statement is effective for periods beginning after June 15, 2014, with early application encouraged.

The estimated potential impact of these pronouncements on the Village's financial statements, if any, has not been determined at this time.

# Village of Fairport, New York

## Required Supplementary Information Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund

	Year Ended May 31, 2015			
	Original Budget	Modified Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Real property taxes	\$ 2,424,296	\$ 2,424,296	\$ 2,424,219	\$ (77)
Real property tax items	229,218	229,218	243,370	14,152
Non-property tax items	1,583,000	1,583,000	1,514,212	(68,788)
Departmental revenues	26,125	26,125	30,299	4,174
Intergovernmental charges	937,867	937,867	868,892	(68,975)
Use of money and property	143,249	143,249	168,834	25,585
Fines and forfeitures	23,800	23,800	50,082	26,282
Licenses and permits	47,500	47,500	31,038	(16,462)
Sale of property and compensation for loss	13,700	13,700	13,086	(614)
Miscellaneous local sources	195,023	195,023	156,273	(38,750)
Interfund revenues	284,252	284,252	281,470	(2,782)
State aid	303,802	303,802	325,492	21,690
Federal aid	69,514	69,514	69,514	-
Total revenues	6,281,346	6,281,346	6,176,781	(104,565)
<b>EXPENDITURES</b>				
General government support	857,642	867,612	758,776	108,836
Public safety	1,619,602	1,628,883	1,608,133	20,750
Transportation	1,160,956	1,195,456	1,095,816	99,640
Economic opportunity and assistance	24,800	24,800	19,572	5,228
Culture and recreation	96,305	98,496	55,380	43,116
Home and community services	641,059	807,845	736,383	71,462
Employee benefits	1,416,677	1,416,677	1,320,969	95,708
Debt service				
Principal	355,000	355,000	355,000	-
Interest	94,305	94,305	94,304	1
Total expenditures	6,266,346	6,489,074	6,044,333	444,741
<b>Excess (deficiency) of revenues over expenditures</b>	<b>15,000</b>	<b>(207,728)</b>	<b>132,448</b>	<b>340,176</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriated fund balance	100,000	614,728	-	(614,728)
Appropriated interfund transfer in	140,000	140,000	-	(140,000)
Appropriated interfund transfer out	(255,000)	(547,000)	(315,058)	231,942
Total other financing sources (uses)	(15,000)	207,728	(315,058)	(522,786)
<b>Excess (deficiency) of revenues and other financing sources over expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(182,610)</b>	<b>\$ (182,610)</b>
<b>FUND BALANCE, beginning of year</b>			<b>3,614,640</b>	
<b>FUND BALANCE, end of year</b>			<b>\$ 3,432,030</b>	

See Independent Auditor's Report.

# Village of Fairport, New York

## Required Supplementary Information Schedule of Funding Progress - Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Simplified Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
6/1/2014	\$ -	\$ 2,548,422	\$ 2,548,422	0.00%	\$ 5,050,531	50.46%
6/1/2013	-	2,501,919	2,501,919	0.00%	4,451,345	56.21%
6/1/2012	-	2,113,911	2,113,911	0.00%	4,449,828	47.51%



**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance With  
*Government Auditing Standards***

Mayor and Board of Trustees  
Village of Fairport, New York  
Fairport, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Village of Fairport, New York (Village) as of May 31, 2015, and for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 5, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SaxBST LLP

Albany, New York  
November 5, 2015