

Village of Fairport, New York

Financial Report

May 31, 2016

Village of Fairport, New York

Financial Report

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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, 2016, 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.

Opinion

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, 2016, 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, schedule of funding progress - other postemployment benefits, schedule of proportionate share of net pension liability, and schedule of pension contributions on pages 35 through 38, 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.

Emphasis of Matter

As discussed in Note 1, the Village has adopted the provisions of Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment to GASB Statement No. 68*, as of January 1, 2015. Our opinions are not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2016, 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.

BST & CO. CPAs, LLP

Albany, New York
November 22, 2016



Village of Fairport, New York

Statement of Net Position

	May 31, 2016		
	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and equivalents	\$ 3,051,211	\$ 2,578,112	\$ 5,629,323
Cash and cash equivalents, restricted	1,065,311	1,273,962	2,339,273
Receivables, net of uncollectibles	44,155	636,644	680,799
Inventories	142	1,027,693	1,027,835
Prepaid expenses	174,277	554,282	728,559
Due from other governments	269,825	-	269,825
State and federal receivables	71,681	-	71,681
Other assets	2,450	-	2,450
Internal balances	40,643	(40,643)	-
Total current assets	<u>4,719,695</u>	<u>6,030,050</u>	<u>10,749,745</u>
NONCURRENT ASSETS			
Land, construction in progress	702,357	600,069	1,302,426
Buildings, machinery, equipment, and infrastructure, net	20,398,017	28,310,462	48,708,479
Total noncurrent assets	<u>21,100,374</u>	<u>28,910,531</u>	<u>50,010,905</u>
Total assets	<u>25,820,069</u>	<u>34,940,581</u>	<u>60,760,650</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,804,536</u>	<u>1,974,340</u>	<u>3,778,876</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable and other current liabilities	222,942	2,327,497	2,550,439
Interest payable	3,135	5,895	9,030
Advance billings and payments	-	150,072	150,072
Due to NYS retirement system	70,719	77,588	148,307
Due to other governments	-	787	787
Customer deposits	-	216,195	216,195
Bond anticipation notes payable	-	815,000	815,000
Current maturities of long-term debt	360,000	412,500	772,500
Current maturities of notes payable	-	189,120	189,120
Total current liabilities	<u>656,796</u>	<u>4,194,654</u>	<u>4,851,450</u>
NONCURRENT LIABILITIES			
Bonds payable	1,810,000	3,802,250	5,612,250
Notes payable	-	378,242	378,242
Compensated absences	33,076	32,071	65,147
Net pension liability	1,807,170	1,442,910	3,250,080
Other postemployment benefits	1,616,351	936,608	2,552,959
Total noncurrent liabilities	<u>5,266,597</u>	<u>6,592,081</u>	<u>11,858,678</u>
Total liabilities	<u>5,923,393</u>	<u>10,786,735</u>	<u>16,710,128</u>
DEFERRED INFLOWS OF RESOURCES	<u>327,396</u>	<u>201,388</u>	<u>528,784</u>
NET POSITION			
Net investment in capital assets	19,290,374	24,390,847	43,681,221
Restricted for			
Capital improvements	836,913	1,273,962	2,110,875
Insurance	28,331	-	28,331
Other	200,067	-	200,067
Unrestricted	1,018,131	261,989	1,280,120
Total net position	<u>\$ 21,373,816</u>	<u>\$ 25,926,798</u>	<u>\$ 47,300,614</u>

See accompanying Notes to Financial Statements.

Village of Fairport, New York

Statement of Activities

Year Ended May 31, 2016

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
GOVERNMENTAL ACTIVITIES							
General government support	\$ 1,190,393	\$ 512,384	\$ 208,923	\$ -	\$ (469,086)	\$ -	\$ (469,086)
Public safety	2,293,600	842,281	16,868	-	(1,434,451)	-	(1,434,451)
Transportation	2,247,227	-	10,687	-	(2,236,540)	-	(2,236,540)
Economic opportunity and assistance	17,595	-	-	-	(17,595)	-	(17,595)
Culture and recreation	107,457	28,327	-	-	(79,130)	-	(79,130)
Home and community services	888,014	132,973	-	-	(755,041)	-	(755,041)
Interest on long-term debt	86,033	-	-	-	(86,033)	-	(86,033)
Total governmental activities	6,830,319	1,515,965	236,478	-	(5,077,876)	-	(5,077,876)
BUSINESS-TYPE ACTIVITIES							
Electric	20,878,417	20,686,316	-	-	-	(192,101)	(192,101)
Water	247,543	-	-	-	-	(247,543)	(247,543)
Total business-type activities	21,125,960	20,686,316	-	-	-	(439,644)	(439,644)
Total government	\$ 27,956,279	\$ 22,202,281	\$ 236,478	\$ -	(5,077,876)	(439,644)	(5,517,520)
GENERAL REVENUES							
Real property tax and related tax items					2,604,459	-	2,604,459
Non-property taxes					1,542,719	-	1,542,719
Other general revenue items					-	97,810	97,810
Sale of property and compensation for loss					82,035	-	82,035
Use of money and property					164,015	2,492	166,507
Interfund transfers, net					89,618	(89,618)	-
Total general revenues					4,482,846	10,684	4,493,530
CHANGE IN NET POSITION					(595,030)	(428,960)	(1,023,990)
NET POSITION, beginning of year, as previously stated					22,192,194	26,459,852	48,652,046
Effect of adopting GASB 68 and 71					(223,348)	(104,094)	(327,442)
NET POSITION, beginning of year, as restated					21,968,846	26,355,758	48,324,604
NET POSITION, end of year					\$ 21,373,816	\$ 25,926,798	\$ 47,300,614

See accompanying Notes to Financial Statements.

Village of Fairport, New York

Balance Sheet - Governmental Funds

	May 31, 2016		
	General	Non-Major Funds	Total
ASSETS			
Cash and cash equivalents	\$ 2,466,611	\$ 584,600	\$ 3,051,211
Cash and cash equivalents, restricted	1,065,311	-	1,065,311
Accounts receivable	39,762	4,393	44,155
Due from other governments	269,825	-	269,825
Due from other funds	49,346	998	50,344
Due from State and Federal governments	71,681	-	71,681
Prepaid expenses	174,277	-	174,277
Other assets	-	2,450	2,450
	\$ 4,136,813	\$ 592,441	\$ 4,729,254
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 193,231	\$ 29,711	\$ 222,942
Due to NYS Retirement System	70,719	-	70,719
Due to other funds	9,701	-	9,701
	273,651	29,711	303,362
DEFERRED INFLOWS OF RESOURCES			
	71,681	-	71,681
FUND BALANCES			
Nonspendable	174,277	-	174,277
Restricted	1,065,311	23,009	1,088,320
Committed	-	275,198	275,198
Assigned	24,430	264,523	288,953
Unassigned	2,527,463	-	2,527,463
Total fund balances	3,791,481	562,730	4,354,211
	\$ 4,136,813	\$ 592,441	\$ 4,729,254

Village of Fairport, New York

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

	<u>May 31, 2016</u>
Total fund balances in the fund financial statements for the governmental funds	\$ 4,354,211
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.	21,100,374
Inventory for sale (cemetery plots) is included as an asset in the government-wide statements and is 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	(2,170,000)
Accrued interest	(3,135)
Compensated absences	(33,076)
Net pension liability, net of deferred amounts	(330,030)
Other postemployment benefits	<u>(1,616,351)</u>
	(4,152,592)
Refunds of prior year expenditures are recognized as deferred inflows in the fund financial statements; however, these amounts were recognized as construction in progress in the government-wide statements and, therefore, should not be a deferred inflow of resources on the statement of net position.	<u>71,681</u>
Total net position, end of year	<u><u>\$ 21,373,816</u></u>

Village of Fairport, New York

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

	Year Ended May 31, 2016		
	General	Non-Major Funds	Total
REVENUES			
Real property taxes	\$ 2,465,738	\$ -	\$ 2,465,738
Real property tax items	138,721	-	138,721
Non-property tax items	1,542,719	-	1,542,719
Departmental revenues	65,574	-	65,574
Intergovernmental charges	876,921	-	876,921
Use of money and property	196,063	14,359	210,422
Fines and forfeitures	36,873	-	36,873
Licenses and permits	71,728	-	71,728
Sale of property and compensation for loss	82,035	-	82,035
Miscellaneous local sources	183,218	100	183,318
Interfund revenues	281,551	-	281,551
State aid	236,478	-	236,478
Total revenues	6,177,619	14,459	6,192,078
EXPENDITURES			
General government support	856,739	10,917	867,656
Public safety	1,446,589	40,905	1,487,494
Transportation	777,081	33,123	810,204
Economic opportunity and assistance	17,595	-	17,595
Culture and recreation	66,763	7,900	74,663
Home and community services	590,790	35,948	626,738
Employee benefits	1,421,743	-	1,421,743
Debt service			
Principal	355,000	-	355,000
Interest	82,898	-	82,898
Total expenditures	5,615,198	128,793	5,743,991
Excess (deficiency) of revenues over expenditures	562,421	(114,334)	448,087
OTHER FINANCING SOURCES (USES)			
Operating transfers in	159,630	362,600	522,230
Operating transfers out	(362,600)	(70,012)	(432,612)
	(202,970)	292,588	89,618
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	359,451	178,254	537,705
FUND BALANCES, beginning of year	3,432,030	384,476	3,816,506
FUND BALANCES, end of year	\$ 3,791,481	\$ 562,730	\$ 4,354,211

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>Year Ended May 31, 2016</u>
Net change in fund balances shown for total governmental funds	\$ 537,705
<p>This amount differs from the change in net position shown in the statement of activities because of the following:</p>	
<p>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.</p>	
Capital expenditures and loss on disposal of capital assets	58,904
Gain/loss on disposal of assets	(46,407)
Depreciation expense	<u>(1,379,214)</u>
	(1,366,717)
<p>Other postemployment obligations and the net pension liability 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.</p>	
	(184,867)
<p>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.</p>	
	355,000
<p>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditure is reported when due</p>	
	(3,135)
<p>Accruals for amounts due to the ERS are reported as an expenditure in the governmental funds but a deferred outflow of resources on the statement of new position.</p>	
	70,719
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds; this includes compensated absences (vacation and sick leave).</p>	
	<u>(3,735)</u>
Change in net position of governmental activities shown in the statement of activities	<u>\$ (595,030)</u>

Village of Fairport, New York
Statement of Net Position - Enterprise Funds

	May 31, 2016
	Electric Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS	
Cash and cash equivalents	\$ 2,578,112
Cash and cash equivalents, restricted	1,273,962
Accounts receivable, net	636,644
Due from other funds	8,703
Inventory	1,027,693
Prepaid expenses	554,282
Total current assets	6,079,396
CAPITAL ASSETS, net	28,910,531
Total assets	34,989,927
DEFERRED OUTFLOWS OF RESOURCES	
Pension resources	1,406,978
Other	567,362
Total deferred outflows of resources	1,974,340
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable	1,284,585
Accrued interest payable	5,895
Accrued payroll related expenses	124,522
Accrued sales tax payable	19,021
Advanced billings and payments	150,072
Customer deposits	216,195
Due to other funds	49,346
Due to other governments	787
Due to NYS retirement system	77,588
Other accrued liabilities	899,369
Bond anticipation notes payable	815,000
Bonds payable, due within one year	412,500
Notes payable, due within in one year	189,120
Total current liabilities	4,244,000
NONCURRENT LIABILITIES	
Bonds payable	3,802,250
Notes payable	378,242
Compensated absences	32,071
Net pension liability	1,442,910
Other postemployment benefits	936,608
Total noncurrent liabilities	6,592,081
Total liabilities	10,836,081
DEFERRED INFLOWS OF RESOURCES	201,388
NET POSITION	
Net investment in capital assets	23,313,419
Restricted	1,273,962
Unrestricted	1,339,417
Total net position	\$ 25,926,798

See accompanying Notes to Financial Statements.

Village of Fairport, New York

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

	Year Ended May 31, 2016		
	Electric Fund	Water Fund	Total
OPERATING REVENUES			
Charges for services	\$ 20,686,316	\$ -	\$ 20,686,316
OPERATING EXPENSES			
Personal services	2,589,351	-	2,589,351
Employee benefits	1,151,399	-	1,151,399
Contractual expenses			
Administration and other support	1,260,526	-	1,260,526
Services, supplies, and operations	14,291,790	5,356	14,297,146
Depreciation	1,440,246	-	1,440,246
Total operating expenses	20,733,312	5,356	20,738,668
Operating loss	(46,996)	(5,356)	(52,352)
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	2,469	23	2,492
Loss on sale of asset	-	(242,187)	(242,187)
Other revenue	61,566	-	61,566
Rental revenue	36,244	-	36,244
Interest expense	(145,105)	-	(145,105)
Total nonoperating expenses	(44,826)	(242,164)	(286,990)
Loss before transfers	(91,822)	(247,520)	(339,342)
TRANSFERS AND CAPITAL CONTRIBUTIONS	-	(89,618)	(89,618)
Decrease in net position	(91,822)	(337,138)	(428,960)
NET POSITION, <i>beginning of year, as previously stated</i>	26,122,714	337,138	26,459,852
Effect of adopting GASB 68 and 71	(104,094)	-	(104,094)
NET POSITION, <i>beginning of year, as restated</i>	26,018,620	337,138	26,355,758
NET POSITION, <i>end of year</i>	\$ 25,926,798	\$ -	\$ 25,926,798

See accompanying Notes to Financial Statements.

Village of Fairport, New York

Statement of Cash Flows - Enterprise Funds

	Year Ended May 31, 2016		
	Electric Fund	Water Fund	Total
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Cash received from providing services	\$ 20,152,075	\$ -	\$ 20,152,075
Cash payments for contractual expenses	(15,467,664)	(5,356)	(15,473,020)
Cash payments for personal services	(2,431,994)	-	(2,431,994)
Cash payments for employee benefits	(1,216,631)	-	(1,216,631)
	1,035,786	(5,356)	1,030,430
NET CASH PROVIDED (USED) BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES			
Advances from (to) other Village funds	58,942	(94,190)	(35,248)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from issuance of BANs	815,000	-	815,000
Principal payments on bonds and notes	(197,451)	-	(197,451)
Interest expense	(145,669)	-	(145,669)
Disposition of capital assets	-	97,083	97,083
Acquisition of capital assets	(1,412,635)	-	(1,412,635)
	(940,755)	97,083	(843,672)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES			
Interest and miscellaneous revenue received	100,279	23	100,302
Net increase (decrease) in cash and cash equivalents	254,252	(2,440)	251,812
CASH AND CASH EQUIVALENTS, beginning of year	3,597,822	2,440	3,600,262
CASH AND CASH EQUIVALENTS, end of year	\$ 3,852,074	\$ -	\$ 3,852,074
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating loss	\$ (46,996)	\$ (5,356)	\$ (52,352)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities			
Depreciation	1,440,246	-	1,440,246
Change in assets and liabilities			
Prepaid expenses	6,961	-	6,961
Accounts receivable	(100,439)	-	(100,439)
Inventory	(100,521)	-	(100,521)
Deferred outflows of resources	(1,752,839)	-	(1,752,839)
Accounts payable and accrued expenses	637,195	-	637,195
Accrued other postemployment benefits	(2,611)	-	(2,611)
Customer deposits	(34,676)	-	(34,676)
Accrued payroll	26,893	-	26,893
Advanced payments and billings	(433,802)	-	(433,802)
Other liabilities	494,132	-	494,132
Due to other governments	(467,574)	-	(467,574)
Due to ERS	5,452	-	5,452
Net pension liability	1,161,676	-	1,161,676
Compensated absences	1,301	-	1,301
Deferred inflows of resources	201,388	-	201,388
	\$ 1,035,786	\$ (5,356)	\$ 1,030,430

See accompanying Notes to Financial Statements.

Village of Fairport, New York

Statement of Fiduciary Net Position - Fiduciary Fund

	<u>May 31, 2016</u> <u>Trust and</u> <u>Agency</u>
ASSETS	
Cash and cash equivalents	<u>\$ 33,061</u>
LIABILITIES	
Agency liabilities	<u>\$ 33,061</u>

Village of Fairport, New York

Notes to Financial Statements May 31, 2016

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, 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 unit 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, 2016

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, enterprise funds, and the fiduciary fund, even though the latter is excluded from the government-wide financial statements.

Enterprise 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, expenditures/expenses, other financing sources (uses), and transfers and capital contributions. 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, 2016

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. During 2016, the Water Fund's remaining assets were sold and operations were ceased.

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, 2016

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 120 days of the end of the current fiscal period. Receivables not expected to be collected within the next 120 days are offset by a deferred inflow of resources. 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 the 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, 2016

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, 2016, 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 \$634,239 at May 31, 2016.

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 \$262,232 at May 31, 2016.

Energy Efficiency Reserve - The Electric Fund collects funds restricted for energy efficient projects. The balance at May 31, 2016 was \$377,491.

Restricted 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 \$990,569 at May 31, 2016.

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 \$28,346 at May 31, 2016.

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 \$46,396 at May 31, 2016.

Village of Fairport, New York

Notes to Financial Statements May 31, 2016

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, 2016 was \$27,824.

Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. An account receivable of the Electric Fund is considered to be past due if any portion of the receivable balance is outstanding for more than twenty days. 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 at the lower of cost or market with cost determined 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 value. There were no obsolete inventory items identified in the Electric Fund as of May 31, 2016.

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

j. Capital Assets

Governmental Activities

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 of the asset, as the following schedule indicates:

Buildings	40 years
Equipment	5-40 years
Infrastructure	20-100 years

Village of Fairport, New York

Notes to Financial Statements May 31, 2016

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 the Federal Energy Regulatory Commission (FERC) and the PSC.

Repairs and Maintenance Costs and Impairment of Long-lived Assets

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the operating property using the applicable depreciation methods.

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 2016.

k. Advanced Billings and Payments

Advanced billings and payments in the Electric Fund of \$150,072 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 2016.

l. 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; but accumulated sick leave for purposes of these payments 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.

Village of Fairport, New York

Notes to Financial Statements May 31, 2016

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

l. Employee Benefits - Continued

Compensated Absences - Continued

The liability for compensated absences was as follows:

	<u>May 31, 2016</u>
Governmental funds	\$ 33,076
Proprietary funds	<u>32,071</u>
	<u>\$ 65,147</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.

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, \$461,491 was paid by the Village, and \$388,154 was paid by the Electric Fund 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.

m. 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.

Village of Fairport, New York

Notes to Financial Statements May 31, 2016

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

m. Net Position - Continued

Restricted consists of monies restricted for various purposes including capital improvements and insurance.

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.

n. 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.

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

o. 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.

Village of Fairport, New York

Notes to Financial Statements May 31, 2016

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

p. Subsequent Events

The Village has evaluated subsequent events for potential recognition or disclosure through November 22, 2016, the date the financial statements were available to be issued.

q. New Accounting Pronouncements

On June 1, 2015, the Village adopted the provisions of Governmental Accounting Standards Board (GASB) 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.

On June 1, 2015, the Village adopted the provisions of GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*. This statement addresses an issue regarding the application of the transition provisions of Statement No. 68, *Accounting and Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

As a result of adopting these accounting standards and guidance, the Village now reports its proportionate share of the net pension liability as determined by the State and Local Employees' Retirement System. This liability, along with deferred outflows of resources, deferred inflows of resources, and pension expense has been allocated between the governmental activities and business-type activities using covered payroll. The adoption of GASB No. 68 and No. 71 is retroactive. Accordingly, the governmental activities and business-type activities have restated their opening net position as follows:

	Net Position May 31, 2015	Adoption of GASB No. 68 and GASB No. 71	Restated Net Position May 31, 2015
Governmental activities			
Governmental Funds	<u>\$ 22,192,194</u>	<u>\$ (223,348)</u>	<u>\$ 21,968,846</u>
Business-type activities			
Electric Fund	<u>\$ 26,122,714</u>	<u>\$ (104,094)</u>	<u>\$ 26,018,620</u>

Village of Fairport, New York

Notes to Financial Statements May 31, 2016

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, 2015	Additions	Disposals	Balance at May 31, 2016
<i>Depreciable assets</i>				
Buildings	\$ 2,976,842	\$ -	\$ -	\$ 2,976,842
Machinery and equipment	4,397,842	58,904	(140,125)	4,316,621
Infrastructure	45,802,870	271,397	-	46,074,267
Total capital assets	53,177,554	330,301	(140,125)	53,367,730
Accumulated depreciation	(31,688,409)	(1,379,214)	97,910	(32,969,713)
Total depreciable assets	21,489,145	(1,048,913)	(42,215)	20,398,017
<i>Non-depreciable assets</i>				
Land	706,550	-	(4,193)	702,357
Construction-in-progress	343,078	-	(343,078)	-
Total non-depreciable assets	1,049,628	-	(347,271)	702,357
Total capital assets, net	\$ 22,538,773	\$ (1,048,913)	\$ (389,486)	\$ 21,100,374

The following is a summary of changes in the proprietary funds' capital assets during the year:

	Balance at June 1, 2015	Additions	Retirements or Transfers	Balance at May 31, 2016
<i>Depreciable assets</i>				
Buildings	\$ 5,589,408	\$ 5,239	\$ -	\$ 5,594,647
Machinery and equipment	3,720,818	297,901	-	4,018,719
Improvements	1,075,774	-	(1,075,774)	-
Distribution, transmission, and other operational equipment	40,247,381	1,275,032	(386,430)	41,135,983
	50,633,381	1,578,172	(1,462,204)	50,749,349
Accumulated depreciation	(21,720,243)	(1,627,517)	908,873	(22,438,887)
Total depreciable assets, net	28,913,138	(49,345)	(553,331)	28,310,462
<i>Non-depreciable assets</i>				
Land	613,346	-	(13,277)	600,069
Construction in progress	44,628	-	(44,628)	-
Total non-depreciable assets, net	657,974	-	(57,905)	600,069
Total capital assets, net	\$ 29,571,112	\$ (49,345)	\$ (611,236)	\$ 28,910,531

Village of Fairport, New York

Notes to Financial Statements May 31, 2016

Note 4 - Bond Anticipation Notes Payable

The following is a summary of changes in BANs payable:

Reported on	Balance at June 1, 2015	Additions	Disposals	Balance at May 31, 2016
NERC Ban	\$ -	\$ 815,000	\$ -	\$ 815,000
Total	<u>\$ -</u>	<u>\$ 815,000</u>	<u>\$ -</u>	<u>\$ 815,000</u>

Note 5 - Noncurrent and Debt Related Liabilities

a. Bond Indebtedness

A summary of changes in bonds payable is as follows:

	May 31, 2016		
	Governmental Activities	Electric Fund	Total
Bonds payable, June 1, 2015	\$ 2,525,000	\$ 4,627,250	\$ 7,152,250
Repayments	<u>(355,000)</u>	<u>(412,500)</u>	<u>(767,500)</u>
Bonds payable, May 31, 2016	<u>\$ 2,170,000</u>	<u>\$ 4,214,750</u>	<u>\$ 6,384,750</u>

A summary of the Village's bond issues at May 31, 2016 is as follows:

Description	Issue Date	Maturity Date	Interest Rate	Balance
General Fund				
2007 Public Improvement Serial Bond	2/2007	5/2027	4.125-4.25%	\$ 1,055,000
2011 Public Improvement Refunding Serial Bond	12/2011	11/2022	2.0-3.0%	600,000
2011 Public Improvement Serial Bond	9/2011	5/2030	2.91%	515,000
				<u>2,170,000</u>
Electric Fund				
2011 Public Improvement Refunding Serial Bond	12/2011	11/2022	2.0-3.0%	1,474,750
2011 Public Improvement Serial Bond	1/2014	4/2042	2.625-4.0%	2,740,000
				<u>4,214,750</u>
Total bonds payable				<u>\$ 6,384,750</u>

Interest expense on General Fund debt was \$82,898 for the year ended May 31, 2016. Interest expense in the Electric Fund was \$145,105.

Village of Fairport, New York

Notes to Financial Statements May 31, 2016

Note 5 - Noncurrent and Debt Related Liabilities - Continued

a. Bond Indebtedness - Continued

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

	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
For the year ending May 31,					
2017	\$ 360,000	\$ 72,117	\$ 412,500	\$ 133,781	\$ 844,617
2018	190,000	63,829	412,500	122,953	666,329
2019	185,000	57,409	412,500	111,594	654,909
2020	190,000	50,971	412,500	99,219	653,471
2021	195,000	44,325	412,500	86,844	651,825
2022 through 2026	770,000	133,610	1,392,250	275,153	2,295,860
2027 through 2030	280,000	16,740	760,000	76,000	1,056,740
	<u>\$ 2,170,000</u>	<u>\$ 439,001</u>	<u>\$ 4,214,750</u>	<u>\$ 905,544</u>	<u>\$ 6,823,751</u>

b. Notes Payable

A summary of the Village's outstanding notes payable at May 31, 2016 is as follows:

Description	Issue Date	Maturity Date	Interest Rate	Balance
Electric Fund				
NYPA Loan 2013-14	2/2014	6/2019	0.00%	270,694
NYPA Loan 2015-16	1/2016	4/2042	0.000%	296,668
				<u>567,362</u>

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

	Principal
For the year ending May 31,	
2017	\$ 181,601
2018	189,121
2019	189,121
	<u>7,519</u>
	<u>\$ 567,362</u>

c. Non-Current and Debt Related Liabilities

Compensated Absences - As explained in Note 11, 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, 2016

Note 5 - Noncurrent and Debt Related Liabilities - Continued

c. Non-Current and Debt Related Liabilities - Continued

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	\$ 29,341	\$ 3,735	\$ -	\$ 33,076	\$ -
Net pension liability	265,220	1,805,353	(263,403)	1,807,170	-
Other postemployment benefits	1,608,886	7,465	-	1,616,351	-
Bonds payable	2,525,000	-	(355,000)	2,170,000	360,000
Total	<u>\$ 4,428,447</u>	<u>\$ 1,816,553</u>	<u>\$ (618,403)</u>	<u>\$ 5,626,597</u>	<u>\$ 360,000</u>

Change in long-term liabilities - business type activities:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated absences	\$ 30,770	\$ 1,301	\$ -	\$ 32,071	\$ -
Net pension liability	281,234	1,332,709	(171,033)	1,442,910	-
Other postemployment benefits	939,219	-	(2,611)	936,608	-
Notes payable	317,256	296,668	(46,562)	567,362	189,120
Bonds payable	4,627,250	-	(412,500)	4,214,750	412,500
Total	<u>\$ 6,195,729</u>	<u>\$ 1,630,678</u>	<u>\$ (632,706)</u>	<u>\$ 7,193,701</u>	<u>\$ 601,620</u>

Note 6 - Fund Balance

Fund balance is as follows:

	General	Nonmajor
Nonspendable	<u>\$ 174,277</u>	<u>\$ -</u>
Restricted for		
Insurance reserve	28,346	-
Capital reserve	990,569	-
Other reserves	46,396	23,009
	<u>1,065,311</u>	<u>23,009</u>
Committed	<u>-</u>	<u>275,198</u>
Assigned for		
Special revenue purposes	-	264,523
Other purposes	24,430	-
	<u>24,430</u>	<u>264,523</u>
Unassigned	<u>2,527,463</u>	<u>-</u>
Total fund balance	<u>\$ 3,791,481</u>	<u>\$ 562,730</u>

Village of Fairport, New York

Notes to Financial Statements May 31, 2016

Note 7 - Interfund Transactions

Interfund balances are as follows at May 31, 2016:

Due From Other Funds	Due To Other Funds		
	General	Electric	Total
General	\$ -	\$ 49,346	\$ 49,346
Electric	8,703	-	8,703
Capital Projects	630,837	-	630,837
	<u>\$ 639,540</u>	<u>\$ 49,346</u>	<u>\$ 688,886</u>

Transfers From Other Funds	Transfers To Other Funds				
	General	Water	Permanent	Debt Service	Total
General	\$ -	\$ 89,618	\$ 12	\$ 70,000	\$ 159,630
Capital Projects	992,439	4,572	-	-	997,011
	<u>\$ 992,439</u>	<u>\$ 94,190</u>	<u>\$ 12</u>	<u>\$ 70,000</u>	<u>\$ 1,156,641</u>

Note 8 - New York State Retirement System

a. Plan Description and Benefits Provided

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 (the System). The System provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law (NYSRSSL) governs obligations of employers and employees to contribute and provide benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained from the System at www.osc.state.ny.us/retire.

The System provides retirement, disability, and death benefits for eligible members, including an automatic cost of living adjustment. In general, retirement benefits are determined based on an employee's individual circumstances using a pension factor, age factor, and final average salary. The benefits vary depending on the individual's employment tier. Pension factors are determined based on tier and an employee's years of service, among other factors.

b. Contributions

Most members of who joined on or before July 26, 1976, are enrolled in a noncontributory plan. Members of ERS who joined after July 26, 1976, and PFRS members after joined after January 9, 2010, are enrolled in a contributory plan which requires a 3% contribution of their salary. As a result of Article 19, of the NYSRSSL, eligible Tier 3 and Tier 4 employees, with a membership date after July 26, 1976, who have ten or more years of membership or credited service with the System, are not required to contribute. Generally, members of the System may retire at 55; however, members of Tiers 2, 3, 4, and 5 will receive a reduced benefit if they retire before 62 with less than 30 years of service. Tier 5 members must be 62 years of age with at least 10 years of service credit to retire with full benefits. Any employee with less than five years of service may withdraw and obtain a refund, including interest, of the accumulated employee contributions. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members. Tier 6 members with ten years of service or more can retire as early as age 55 with reduced benefits. The contribution rate varies from 3% to 6% depending on salary. Members are required to contribute for all years of service.

Village of Fairport, New York

Notes to Financial Statements May 31, 2016

Note 8 - New York State Retirement System - Continued

b. Contributions - Continued

Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension fund. Fund contributions for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

Year	ERS	PFRS
2016	\$ 714,150	\$ 190,584
2015	769,289	194,255
2014	783,574	213,900

c. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At May 31, 2016, the Village reported a liability of \$2,380,646 for its proportionate share of the net pension liability of the ERS and a liability of \$869,434 for its proportionate share of the net pension liability of the PFRS. The net pension liability was measured as of March 31, 2016, and the total pension liability was determined by an actuarial valuation as of April 1, 2015. The Village's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to the System's total actuarially determined employer contribution for the fiscal year ended on the measurement date. At the March 31, 2016 measurement date, the Village's proportionate share in the ERS was 0.0148324% and the PFRS was 0.0293650%.

For the year ended May 31, 2016, the Village recognized pension expense of \$1,189,181. At May 31, 2016, the Village reported deferred outflows of resources and deferred inflows of resources as follows (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,828	\$ 413,634
Changes of assumptions	1,009,656	-
Net differences between projected and actual investment earnings on pension plan investments	1,899,578	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	134,144	84,795
Total	\$ 3,063,206	\$ 498,429

Village of Fairport, New York

Notes to Financial Statements May 31, 2016

Note 8 - New York State Retirement System - Continued

c. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions - Continued

Amounts recognized as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized as follows:

Year ending May 31,		
2017	\$	643,707
2018		643,707
2019		643,707
2020		591,705
2021		41,951
Total	\$	2,564,777

d. Actuarial Assumptions

The actuarial assumptions used in the April 1, 2015 valuation, with updated procedures used to roll forward the total pension liability to March 31, 2016, were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015. These assumptions are:

Actuarial Cost Method	Entry age normal
Inflation Rate	2.50%
Salary Scale	
ERS	3.8%, indexed by service
PFRS	4.5%, indexed by service
Investment rate of return, including inflation	7.0% compounded annually, net of expenses
Cost of living adjustments	1.3% annually
Decrement	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014

The long-term expected rate of return on the System's pension plan investments was determined in accordance with Actuarial Standard of Practice No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major class as well as historical investment data and plan performance.

e. Investment Asset Allocation

The long-term 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 returns net of investment expense 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 each target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016, are summarized below:

Village of Fairport, New York

Notes to Financial Statements May 31, 2016

Note 8 - New York State Retirement System - Continued

e. Investment Asset Allocation - Continued

Asset Type	Target Allocation	Long-Term Expected Real Rate
Domestic equity	38.00%	7.30%
International equity	13.00%	8.55%
Private equity	10.00%	11.00%
Real estate	8.00%	8.25%
Absolute return strategies	3.00%	6.75%
Opportunistic portfolio	3.00%	8.60%
Real assets	3.00%	8.65%
Bonds and mortgages	18.00%	4.00%
Cash	2.00%	2.25%
Inflation-Indexed bonds	2.00%	4.00%
	100.00%	

f. Discount Rate

The discount rate projection of cash flows assumes that contributions from members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on 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.

g. Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Village's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0% and the impact of using a discount rate that is 1% higher or lower than the current rate:

	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Village's proportionate share of the net pension liability (asset)			
ERS	\$ 5,368,184	\$ 2,380,646	\$ (143,696)
PFRS	1,941,973	869,434	(29,586)

Village of Fairport, New York

Notes to Financial Statements May 31, 2016

Note 8 - New York State Retirement System - Continued

h. Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the New York State and Local Employees' Retirement System as of March 31, 2015 were as follows (amounts in thousands):

	(Dollars in Thousands)		
	Employees' Retirement System	Police and Fire Retirement System	Total
Employers' total pension liability	\$ 172,303,544	\$ 30,347,727	\$ 202,651,271
Plan net position	(156,253,265)	(27,386,940)	(183,640,205)
Employers' net pension liability	<u>\$ 16,050,279</u>	<u>\$ 2,960,787</u>	<u>\$ 19,011,066</u>
Ratio of fiduciary net position to total pension liability	90.7%	90.2%	90.6%

Note 9 - 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, 2016, the Village paid approximately \$798,000 on behalf of the plan members.

Village of Fairport, New York

Notes to Financial Statements May 31, 2016

Note 9 - Other Postemployment Benefits (OPEB) - Continued

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, 2016 are as follows:

Annual required contribution	\$ 174,764
Interest on net OPEB obligation	101,924
Adjustment to annual required contribution	<u>(105,551)</u>
Annual OPEB cost/expense	171,137
Contributions made (expected)	(166,283)
Net OPEB obligation, <i>beginning of year</i>	<u>2,548,105</u>
Net OPEB obligation, <i>end of year</i>	<u><u>\$ 2,552,959</u></u>

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 retire 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.

Village of Fairport, New York

Notes to Financial Statements May 31, 2016

Note 9 - Other Postemployment Benefits (OPEB) - Continued

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.

Note 10 - Commitments

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 \$5,625,974 for the year ended May 31, 2016.

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 \$3,915,712 and \$3,425,697, respectively, for the year ended May 31, 2016.

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 May 31, 2016. 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.

Village of Fairport, New York

Notes to Financial Statements May 31, 2016

Note 11 - Accounting Pronouncements Issued But Not Yet Implemented

GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information should be disclosed in the notes to the financial statements. The provisions of GASB 72 are effective for fiscal years beginning after June 15, 2015.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 establishes financial reporting standards for other postemployment benefits (OPEB) plans for state and local governments. This standard replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. The statement establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources, and expense/expenditures, as well as identifying the methods and assumptions required to project benefit payments, discount projected benefit payments, to their actuarial present value, and attribute that present value to periods of employee service. Additionally, GASB 75 lays out requirements for additional note disclosures and required supplementary information. These requirements are effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 77, *Tax Abatement Disclosures* (GASB 77). GASB 77 requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.
- Commitments made by government, other than to abate taxes, as part of a tax abatement agreement.

The requirements of GASB 77 are effective for financial statement periods beginning after December 15, 2015.

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68 and No. 73*. The objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for reporting periods beginning after June 15, 2016.

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, 2016			
	Original Budget	Modified Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real property taxes	\$ 2,461,946	\$ 2,461,946	\$ 2,465,738	\$ 3,792
Real property tax items	242,364	242,364	138,721	(103,643)
Non-property tax items	1,613,000	1,613,000	1,542,719	(70,281)
Departmental revenues	34,625	34,625	65,574	30,949
Intergovernmental charges	871,254	871,254	876,921	5,667
Use of money and property	135,318	135,318	196,063	60,745
Fines and forfeitures	52,000	52,000	36,873	(15,127)
Licenses and permits	35,715	35,715	71,728	36,013
Sale of property and compensation for loss	15,500	15,500	82,035	66,535
Miscellaneous local sources	57,670	57,670	183,218	125,548
Interfund revenues	283,630	283,630	281,551	(2,079)
State aid	316,273	316,273	236,478	(79,795)
Federal aid	27,800	27,800	-	(27,800)
Total revenues	6,147,095	6,147,095	6,177,619	30,524
EXPENDITURES				
General government support	875,494	877,353	856,739	20,614
Public safety	1,579,740	1,595,420	1,446,589	148,831
Transportation	912,815	918,337	777,081	141,256
Economic opportunity and assistance	28,500	28,500	17,595	10,905
Culture and recreation	78,745	79,110	66,763	12,347
Home and community services	634,811	664,060	590,790	73,270
Employee benefits	1,440,881	1,440,881	1,421,743	19,138
Debt service				
Principal	355,000	355,000	355,000	-
Interest	82,898	82,898	82,898	-
Total expenditures	5,988,884	6,041,559	5,615,198	426,361
Excess of revenues over expenditures	158,211	105,536	562,421	456,885
OTHER FINANCING SOURCES (USES)				
Appropriated fund balance	437,139	937,139	-	(937,139)
Appropriated interfund transfer in	-	-	159,630	159,630
Appropriated interfund transfer out	(595,350)	(1,042,675)	(362,600)	680,075
Total other financing sources (uses)	(158,211)	(105,536)	(202,970)	(97,434)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	359,451	\$ 359,451
FUND BALANCE, beginning of year			3,432,030	
FUND BALANCE, end of year			\$ 3,791,481	

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)
6/1/2015	\$ -	\$ 2,568,029	\$ 2,568,029	0.00%	\$ 5,202,047	49.37%
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%

Village of Fairport, New York

Required Supplementary Information Schedule of Proportionate Share of Net Pension Liability

	<u>2016</u>
New York State and Local Employees' Retirement System	
Village's proportion of the net pension liability	0.0148324%
Village's proportionate share of the net pension liability	\$ 2,380,646
Village's covered-employee payroll	\$ 4,014,917
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll	59.30%
Plan fiduciary net position as a percentage of the total pension liability	90.7%
New York State and Local Police and Fire Retirement System	
Village's proportion of the net pension liability	0.0293650%
Village's proportionate share of the net pension liability	\$ 869,434
Village's covered-employee payroll	\$ 791,780
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll	109.81%
Plan fiduciary net position as a percentage of the total pension liability	90.20%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Village of Fairport, New York

Required Supplementary Information Schedule of Pension Contributions

	<u>2016</u>
New York State and Local Employees' Retirement System	
Contractually required contribution	\$ 714,150
Contributions in relation to the contractually required contribution required contribution	714,150
Contribution deficiency (excess)	-
Village's covered-employee payroll	4,014,917
Contribution as a percentage of covered-employee payroll	18%
New York State and Local Police and Fire Retirement System	
Contractually required contribution	\$ 190,584
Contributions in relation to the contractually required contribution	190,584
Contribution deficiency (excess)	-
Village's covered-employee payroll	791,780
Contribution as a percentage of covered-employee payroll	24%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.



**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, 2016, and for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 22, 2016.

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.

BST & CO. CPAs, LLP

Albany, New York
November 22, 2016