

VILLAGE OF BERGEN
Notes To The Financial Statements
For the Fiscal Year Ended May 31, 2013

I. Summary of Significant Accounting Policies

The financial statements of the Village of Bergen have been prepared on the regulatory basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). That basis differs from generally accepted accounting principles in that the Village does not comply with Governmental Accounting Standards Board (GASB) No. 34, which requires the Village to present the government-wide financial statements on a full accrual basis.

II. Financial Reporting Entity

The Village of Bergen (which was established in 1877), is governed by its charter and local laws, general municipal laws, and other general laws of the State of New York. The Village Board of Trustees is the legislative body responsible for overall operations, the Mayor serves as the chief executive officer and the Village Administrator serves as chief fiscal officer.

The following basic services are provided by the Village:

- General government services, including public safety, highway maintenance, parks and recreation, planning and zoning, and refuse disposal
- Electric utility services
- Sanitary sewer services

All governmental activities and functions performed by the Village of Bergen are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

III. Fund Accounting

The Village uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

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The Village records transactions in the fund types and account groups described below.

Fund Categories

- a. **Governmental Funds** – Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon the determination of financial position and changes in financial position (the sources, uses, and balances of current financial resources). The following are the Village governmental fund types.

General Fund – the principal operating fund and includes all operations not accounted for and reported in another fund.

Special Revenue Fund – used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The following Special Revenue Funds is utilized:

- *Sewer Fund* – used to account for sanitary sewer purposes only

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

- b. **Proprietary Fund** – used to account for ongoing organizations or activities which are similar to those often found in the private sector. The measurement focus of proprietary funds is upon the determination of operating income, changes in net assets, financial position, and cash flows. The following proprietary fund is utilized.

Enterprise Fund – used to account for operations (a) where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed and recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate. Included is the following operation:

- *Electric Fund* – used to account for all financial activities pertaining to operation of the municipal electric system.

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- c. **Fiduciary Fund** – used to account for assets held by the local government in a trustee or custodial capacity:
- *Agency Fund* – used to account for money (and/or property) received and held in a purely custodial capacity of trustee, custodian, or agent.
- d. **Account Groups** – used to establish accounting control and accountability for fixed assets and long-term debt. The account group is not a “fund”. It is concerned with the measurement of financial position and not results of operations. Account groups include:
- *Fixed Assets* – Used to record governmental fund fixed assets at original cost or estimated original cost. No depreciation is recorded on governmental fund fixed assets.
 - *Long Term Debt* – Used to account for all long-term debt and other obligations, except for those accounted for in the proprietary fund. Long-term indebtedness includes obligations such as bonds. Installment purchase debt, and uncompensated absences.

C. Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenditures/expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e., expenditures or expenses.

Modified Accrual Basis – All Governmental Funds are accounted for using the modified accrual basis of accounting.

Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days of the end of the current fiscal year.

Material revenues that are accrued include real property taxes, State and Federal Aid, sales tax and certain user charges. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made, all other grant requirements have been met, and the resources are available.

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Expenditures are recorded when a liability is incurred except that:

- Expenditures for prepaid expenses and inventory-type items are recognized at the time of purchase.
- Principal and interest on indebtedness are recognized as expenditures when payment is due.
- Compensated absences, such as vacation and sick leave which vests or accumulates, are charged as expenditures when payment is due.
- Other post-employment benefits are charged as expenditures when payment is due.

Accrual Basis – Proprietary funds are accounted for on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when incurred. Capital assets and long-term liabilities related to these activities are recorded within the funds.

D. Fund Balances

In fiscal 2011, the Village implemented Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). GASB 54 changed the classification of fund balance to focus on the constraints imposed on resources in governmental funds, instead of the previous focus on availability for appropriation.

Fund balance is now broken down into five different classifications: non-spendable, restricted, committed, assigned, and unassigned.

Nonspendable consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

Restricted consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The Village Board of Trustees is the decision-making authority that can, by action taken prior to the end of the fiscal year, commit fund balance.

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Assigned consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance.

Unassigned represents the residual classification for the government's general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

E. Capital Assets

Capital Assets, which include property, plant, equipment, and infrastructure assets, are reported in the Schedule of Non-Current Governmental Assets. The Village defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures in governmental funds. Capital assets are not shown on governmental fund balance sheets.

F. Investments

Investments are reported at fair value, except certificates of deposit, which are reported at cost.

G. Inventory and Prepaid Items

Inventory is valued at cost utilizing the first in, first out method for Proprietary Funds. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Payments to vendors for costs, such as rent and insurance, that apply to future accounting periods are recorded as prepaid assets in the fund financial statements.

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H. Insurance

The Village assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

I. Compensated Absences

Employees accrue unlimited vacation leave based primarily on the number of years employed. Upon separation from service, employees are paid for unused vacation time.

Employees can accrue sick leave up to 10 days per year if they are non-union employees. Any accrued sick pay for non-union employees is paid at the end of the calendar year. Union employees can accrue 150 sick days. Accrued sick days for union employees is paid upon separation from the Village.

Vested vacation and sick leave is recorded in proprietary funds as a liability and expense, and in governmental funds as a fund liability and expenditure if payable from current resources.

II. Stewardship, Compliance, Accountability

A. Budget Policies – The budget policies are as follows:

- a. No later March 31st, the Village Administrator submits a tentative budget to the Village Board of Trustees for the fiscal year commencing the following June 1st. The tentative budget includes proposed expenditures and the proposed means of financing for all funds except for the Capital Projects and Trust and Agency Funds.
- b. After public hearings are conducted to obtain taxpayer comments, no later than May 1st, the governing board adopts the budget.
- c. All modifications of the budget must be approved by the governing board and appropriations lapse at year end.
- d. Budgets are prepared for proprietary funds to establish the estimated contributions required from other funds and to control expenditures.
- e. Budgets are adopted annually on a basis consistent with the regulatory basis of accounting of New York State.

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B. Property Taxes

Real property taxes are levied annually no later than May 15 and become a lien June 1st. Taxes are collected during the period June 1st to November 1st.

Unpaid Village taxes are turned over to the county for enforcement. Any such taxes remaining unpaid at year-end are relieved as county taxes in the subsequent year.

The Village is permitted by the Constitution of New York State to levy taxes up to 2 Percent of the five-year average full-assessed valuation for general governmental services other than the payment of debt service and capital expenditures. For the year ended May 31, 2013 the Village had a legal margin of \$806,537.

III. Detail Notes on All Funds

A. Assets

1. Cash and Investments

The Village investment policies are governed by State statutes. In addition, the Village has its own written investment policy. Village monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Village Administrator is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit as provided for by law of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Deposits and investments at year-end were entirely covered by federal depository insurance or by collateral held by the Village's custodial bank in the Village's name.

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2. Inter-Fund Receivables and Payables

Inter-fund receivables and payables at May 31, 2013 were as follows:

	<u>Inter-fund Receivables</u>	<u>Inter-fund Payables</u>	
General Fund	\$ 83,517	\$ 181,529	
Electric Fund	33,361	85,530	
Sewer Fund	150,254	845	
Trust & Agency Fund	502	-0-	
Total	\$ 267,904	\$ 267,904	

3. Changes In Capital Assets

A summary of changes in capital fixed assets follows:

<u>Governmental Funds</u>	<u>Balance 5/31/2012</u>		<u>Additions</u>		<u>Dispositions</u>		<u>Balance 5/31/2013</u>
Land	\$ 68,617	\$	-0-	\$	-0-	\$	68,617
Buildings	940,707		10,318		-0-		951,026
Improvements	5,849		-0-		-0-		5,849
Machinery & Equipment	490,275		82,141		56,297		516,120
Sewer System	3,377,813		-0-		-0-		3,377,813
Total	\$ 4,883,261	\$	92,459	\$	56,297	\$	4,919,424

Enterprise Funds

A summary of enterprise fund type property, plant and equipment follows:

<u>Description</u>	<u>Electric Fund</u>
Land	\$ 77,133
Building	59,346
Improvements	4,986,772
Machinery & Equipment	603,371
Total	5,726,621
Less Accumulated Depreciation	2,463,357
Net Book Value	\$ 3,263,264

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B. Liabilities

1. Retirement Plan

The Village participates in the New York State and Local Employees' Retirement System (ERS) Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide 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 Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be found at: <http://www.osc.state.ny.us/retire/publications/index.php> or obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% of their salary for the first ten years of membership and employees who joined on or after January 1, 2010 (ERS) 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 expressed used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

5/31/13	\$ 78,976
5/31/12	\$ 62,313
5/31/11	\$ 54,635

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4. Short-Term Debt

Liabilities for bond anticipation notes (BANs) are generally accounted for in the capital projects funds and the enterprise fund. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12-month period thereafter.

State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

Sewer Treatment Plant Bond Anticipation Note:

<u>Maturity Date</u>	<u>Int. Rate</u>	<u>Balance 5/31/12</u>	<u>Paid</u>	<u>Issued</u>	<u>Balance 5/31/13</u>
11/12/12	0%	\$2,431,796	\$2,497,000	\$65,204	\$-0-

5. Long-Term Debt

a. Outstanding indebtedness aggregated \$3,799,125. Of this amount, \$1,098,454 was subject to the constitutional debt limit and represented approximately 36.08% of its debt limit.

b. Serial Bonds

The Village borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are recorded in the Schedule of Non-Current Governmental Liabilities or in the enterprise fund in the case of Electric Fund debt. The provision to be made in future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities. Enterprise fund debt is liquidated with enterprise income.

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a. Other Long-Term Liabilities

In addition to the above long-term debt, the local government had compensated Absences, which represents the value of earned and unused portion of the liability for compensated absences

b. The following is a summary of changes in long-term liabilities for the year ended May 31, 2013:

	Serial Bonds	Compensated Absences
<u>Enterprise Fund</u>		
Payable of the beginning of fiscal year	\$ 1,245,000	\$ 39,333
Additions	18,125	-0-
Deletions	(160,000)	(8,352)
Payable at end of fiscal year	\$ 1,103,125	\$ 30,981
<u>General Long-Term Debt</u>		
Payable of the beginning of fiscal year	\$ 80,000	\$ 31,317
Additions	2,391,000	-0-
Deletions	(55,000)	2,716
Payable at end of fiscal year	\$ 2,696,000	\$ 28,601

Additions and deletions to compensated absences are shown net since it is impractical to determine the amount separately

c. Long-Term Debt Maturity Schedule - The following is a statement of serial bonds and capital notes with corresponding maturity schedules.

<u>Description by Fund</u>	<u>Original Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate (%)</u>	<u>Date Final Maturity</u>	<u>Outstanding</u>
<i>General Fund</i>					
Public Improvements	05/08	\$ 135,000	2.25%	05/15	\$ 40,000
Village Hall	04/12	300,000	2.00%	04/20	265,000
<i>Sewer Fund</i>					
Waste Treatment Plant	11/12	2,391,000	0.00%	11/41	2,391,000
<i>Electric Fund</i>					
System Improvements	05/01	1,330,000	5.00%	05/21	675,000
Public Improvements	05/03	570,000	4.25%	11/22	330,000
Public Improvements	05/08	280,000	2.25%	05/15	120,000
Public Improvements	04/12	120,000	2.00%	04/20	120,000
Total					\$ 3,799,125

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f. The following table summarizes the Village's future debt service requirements:

YEAR END DATE	PRINCIPAL	INTEREST
5/31/14	\$ 300,625	\$ 34,824
5/31/15	297,500	30,098
5/31/16	237,500	25,040
5/31/17	246,000	21,642
5/31/18	247,500	17,750
5/31/19	247,500	13,632
5/31/20 – 5/31/25	737,500	16,881
5/31/26 – 5/31/30	412,500	-0-
5/31/31 – 5/31/35	412,500	-0-
5/31/36 – 5/31/40	412,500	-0-
5/31/41 – 5/31/42	247,500	-0-
	\$ 3,799,125	\$ 159,868

There is a statutory debt limit applicable to Villages within New York State. The Village is in compliance with this debt limit.

D. Fund Equity

Reserves

The operating fund equity includes reserve funds established pursuant to State Law for the following purposes:

FUND	PURPOSE	BALANCE 5/31/13
General	Unemployment Insurance Reserve	\$ 17,799
Sewer	Capital Reserve	\$ 161,189

E. Deferred Compensation Plan

The Governmental Accounting Standards Board issued Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. This statement established accounting and financial reporting standards for Internal Revenue Code Section 457 deferred compensation plans of state and local governments.

As a result, Statement No. 32 became effective for the New York State Deferred Compensation Plan as of October 1, 1997. Since the plan no longer meets the criteria for inclusion in New York State's financial statements, municipalities which participate in New York State's Deferred Compensation Plan are no longer required to report the value of the plan assets.

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G. Workers' Compensation Plan

The Village is a participant in the Genesee County Self-Insurance Workers' Compensation Plan (the Plan). The Plan was established under the provisions of the Workers' Compensation Law of the State of New York and is administered and sponsored by its predominant participant, Genesee County. The Plan provides the Village the opportunity to participate in a cooperative program for providing workers' compensation benefits to its employees.

The Village is one of over 26 participants in the Plan. Eligible participants may become members upon filing with the Executive Secretary of the Plan a certified copy of the resolution of the prospective member's governing board electing participation in the Plan on or before July 15th. Voluntary withdrawal from the Plan is effective only once annually. Withdrawal from the Plan is effective at the end of the current operating year upon filing with the Executive Secretary of the Plan a certified copy of the resolution of the member's governing board electing to withdraw from the Plan on or before July 15th. Upon withdrawal the participant shall pay, in a lump sum or in installments, an equitable share of the outstanding liabilities of the Plan as of the date of withdrawal, as determined by the Plan administrator. Contributions to the Plan are determined annually based on claim payment experience and real property tax assessments.

No refunds or assessments, other than periodic premiums, are charged to the participant organizations, except in the case where the Plan's assets are not sufficient to meet liabilities. In that instance, a special assessment may be assessed against participant organizations.

The Plan has established reserve liabilities which provide for current claim expenses. At May 31, 2012 the Plan did not provide sufficient information to disclose the funding status or future claim liabilities of the Village of Bergen.

H. Risk Management

The Village is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are handled by the Village through the purchase of various insurance policies with varying coverage limits, deductibles, and premiums based on the type of policy. No significant reductions in insurance coverage in the prior years occurred, and no claims exceeded the Village's coverage for each of the past three years.

