

VILLAGE OF SPENCERPORT

BASIC FINANCIAL STATEMENTS

For Year Ended May 31, 2020

VILLAGE OF SPENCERPORT, NEW YORK

Notes To The Basic Financial Statements

May 31, 2020

I. Summary of Significant Accounting Policies

The financial statements of the Village of Spencerport, New York (the Village) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

A. Reporting Entity

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

The following basic services are provided: General Municipal, Sewer (transport system only) and Municipal Electric services. Water services are provided by the Monroe County Water Authority. Sewage Treatment services are provided by the County of Monroe Northwest Quadrant Pure Waters Village. Fire protection is provided by the Spencerport Fire District, a separate taxing authority.

The reporting entity of the Village is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Component Units* and GASB Statement 61, *The Financial Reporting Entity*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Village is not a component unit of another reporting entity. The decision to include a potential component unit in the Village's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the Village's reporting entity.

B. Fund Accounting

1. Fund Statements

The fund statements provide information about the Village's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented.

(I.) (Continued)

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The Village reports the following 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 determination of financial position and changes in financial position. The following are the Village of Spencerport's governmental fund types.

General Fund - This is the Village's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Capital Project Fund - Used to account for the financial resources used for acquisition, construction, or major repair of capital facilities other than those financed by the enterprise (Electric) fund.

Special Revenue Fund – used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The following special revenue fund is utilized:

Sewer Fund - used to account for the operations that provide sewer services and is financed primarily by user charges for these services.

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 is upon determination of net income, financial position, and changes in financial position. The following proprietary fund is utilized:

Enterprise Fund - used to account for the following operations:

Municipal Electric Fund of the Village of Spencerport - Used to account for all financial activities pertaining to the operation of the Municipal Electric system.

(I.) (Continued)

c. **Fiduciary** - Fiduciary activities are those in which the Village acts as trustee or agent for resources that belong to others. These activities are not included in the Village-wide financial statements, because their resources do not belong to the Village, and are not available to be used. There are two classes of fiduciary funds:

Miscellaneous Fund – account for those revenues that are legally restricted to expenditures for specific purposes. The CM should also be used to account for trusts that benefit the local government where principal and interest may be expended. The CM Fund is utilized by the Village for revenues and expenses to benefit maintenance of the Village park areas.

Agency Funds - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the Village as agent for payroll or employee withholding.

C. **Account Groups**

Account groups are used to establish accounting controls and accountability for General Fixed Assets and General Long Term Debt. The two account groups are not “funds”. They are concerned with measurement of financial position and not results of operations. They exclude items accounted for in the proprietary (Electric) fund.

1. **The General Fixed Assets Group** - used to account for land, buildings, improvements other than buildings, and equipment utilized for general government purposes
2. **The General Long-Term Debt Account Group** - used to account for all long-term debt. Long-term indebtedness includes obligations such as serial bonds and compensated absences

D. **Measurement Focus and Basis of Accounting**

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 or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Village-Wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Village gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

(I.) (Continued)

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Village considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary funds are accounted for on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when incurred.

E. Property Taxes

Real property taxes are levied annually by the Board no later than May 1, and become a lien on June 1. Taxes are collected during the period June 1 to June 30. The county assumes enforcement responsibility for all taxes levied in the Village.

Uncollected real property taxes are subsequently enforced by the County(ies) in which the Village is located. The County(ies) pay an amount representing uncollected real property taxes transmitted to the County(ies) for enforcement to the Village no later than the following November 1.

F. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Village's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these notes.

G. Interfund Transactions

The operations of the Village include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowing. The Village typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

In the Village-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the Village's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note V. for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues activity.

(I.) (Continued)

H. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

I. Cash and Cash Equivalents

The Village's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

New York State Law governs the Village's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC 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 Villages.

J. Receivables

Receivables are shown net of an allowance for uncollectible accounts, when applicable.

An allowance for uncollectible accounts has been provided for certain amounts that may not be collectible in 120 days.

K. Inventory and Prepaid Items

Inventories of food and/or supplies for school lunch are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

(I.) (Continued)

Prepaid items represent payments made by the Village for which benefits extend beyond year end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the Village-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A non-spendable fund balance for these non-liquid assets (inventories and prepaid items) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

L. Account Groups

General fixed assets are recorded at actual or estimated cost, or in the case of gift and contributions, at the fair market value at the time received. Depreciation has been calculated and recorded. General long-term debt liabilities are recorded at the par value of the principal amount. No liability is recorded for interest payable to maturity. Compensated absences are recorded at current salary rates.

M. Unearned Revenue

The Village reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the Village before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the Village has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

N. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The government has four items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the Village-wide Statement of Net Position. This represents the effect of the net change in the Village's proportion of the collective net pension asset or liability and difference during the measurement period between the Village's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is the Village contributions to the pension system (ERS System) and OPEB subsequent to the measurement date. The fourth item relates to OPEB reporting in the Village-wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

(I.) (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village has four items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue-property taxes. The second item is related to pensions reported in the Village-wide Statement of Net Position. This represents the effect of the net change in the Village's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the Village's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is revenues from grants received that have met all other eligibility requirements except those related to time restrictions. The fourth item is related to OPEB reported in the Village-wide Statement of Net Position. This represents the effect on the net changes of assumptions or other inputs.

O. Vested Employee Benefits

1. Compensated Absences

Employees accrue vacation leave based primarily on the number of years employed. A limited amount of compensation time may also be earned and accrued.

Employees accrue sick leave and may accumulate such credits, but these are for use during the duration of their employment only.

Vested vacation and accrued compensation time is recorded in proprietary fund as a liability and expense and in governmental funds as a fund liability and expenditure if payable from current resources.

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the Village-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

In the funds statements only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you-go basis.

P. Other Benefits

Village employees participate in the New York State Employees' Retirement System.

Village employees may choose to participate in the Village's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

In addition to providing pension benefits, the Village provides post-employment health coverage to retired employees in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the Village's employees may become eligible for these benefits if they reach normal retirement age while working for the Village. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits may be shared between the Village and the retired employee. The Village recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

(I.) (Continued)

Q. Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities, and long-term obligations are reported in the Village-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, other postemployment benefits payable and compensated absences that will be paid from governmental funds are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the Village's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

R. Equity Classifications

1. Fund Statements

In the fund basis statements there are five classifications of fund balance:

a. Nonspendable Fund Balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. There were no nonspendable fund balances at May 31, 2020.

b. Restricted Fund Balances – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the general fund are classified as restricted fund balance. The Village has established the following restricted fund balances:

Capital Reserve - Reserve fund equity for governmental funds and operating fund surplus for enterprise funds include capital reserves established for the following purposes:

| <u>Name</u> <u>of Reserve</u> | <u>Fund</u> | <u>Total</u> <u>Year to Date</u> <u>Balance</u> |
|----------------------------------|-------------|---|
| General Capital Reserve | General | \$ 240,438 |
| Computer Reserve | General | 21,594 |
| Streets Reserve | General | 221,374 |
| Equipment Reserve | General | 247,422 |
| Recycle Reserve | General | 107,464 |
| Sewer Capital Reserve | Sewer | 163,675 |
| Equipment Reserve | Sewer | 128,672 |
| Electric Depreciation | Electric | 87 |
| Total Capital Reserves | | <u>\$ 1,130,726</u> |

(I.) (Continued)

Insurance Reserve - According to General Municipal Law §6-n, must be used to fund certain uninsured losses, claims, actions, or judgments for which the local government is authorized or required to purchase or maintain insurance, with a number of exceptions. An insurance reserve fund may also be used to pay for expert or professional services in connection with the investigation, adjustment, or settlement of claims, actions, or judgments. The reserve may be established by Board action and is funded by budgetary appropriations, amounts from any other fund authorized by the General Municipal Law subject to permissive referendum, such other funds as may be legally appropriated. The Insurance Reserve is recorded in the General Fund at \$89,101, Sewer Fund at \$4,838, and Electric Fund at \$19,679 as of May 31, 2020.

The Village appropriated and/or budgeted funds from the following reserves for the 2019-20 budget:

- \$105,000 from the General Fund Recycle Reserve
- \$130,000 from the Sewer Fund Equipment Reserve

c. Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school Villages highest level of decision making authority, i.e., the Board. The Village has no committed fund balances as of May 31, 2020.

d. Assigned Fund Balance – Includes amounts that are constrained by the Village’s intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as assigned fund balance. Encumbrances represent purchase commitments made by the Village through their authorization of a purchase order prior to year end. The Village assignment is based on the functional level of expenditures. There were no encumbrances at year end.

Assigned fund balances include the following:

| | | |
|-------------------------------------|-----------|-----------------------|
| General Fund-Encumbrances | \$ | - |
| General Fund-Appropriated for Taxes | | 544,146 |
| Sewer Fund - Appropriated for Taxes | | 58,613 |
| Sewer Fund-Year End Equity | | 310,717 |
| Total Assigned Fund Balance | \$ | <u>913,476</u> |

e. Unassigned Fund Balance –Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the school Village and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

(I.) (Continued)

3. Order of Use of Fund Balance

The Village's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as restricted fund balance. In the general fund, the remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

S. New Accounting Standards

The Village has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At May 31, 2020, the Village implemented, if applicable, the following new standards issued by GASB:

The GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*.

GASB has issued Statement 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*.

U. Future Changes in Accounting Standards

The GASB has issued Statement No. 87, *Leases*, which will be effective for the year ended May 31, 2020.

GASB has issued Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, which will be effective for reporting periods beginning after December 15, 2019.

GASB has issued Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for reporting periods beginning after December 15, 2019.

GASB has issued Statement 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, which will be effective for reporting periods beginning after December 15, 2018.

The Village will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

II. Stewardship, Compliance and Accountability

A. Budgets

The Village administration prepares a proposed budget for approval by the Board.

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

No later than March 20, the budget officer submits a tentative budget to the Board of Trustees for the fiscal year commencing the following June 1. The tentative budget includes proposed expenditures and proposed means of financing for all funds of the Village except for Capital and fiduciary funds.

After public hearings are conducted to obtain taxpayer comments the Board of Trustees adopts the budget no later than May 1. Appropriations established by the budget constitute a limitation on expenditures which may be incurred.

All modifications of the budget must be approved by the Board of Trustees and appropriations lapse at fiscal year-end.

Budgets are prepared for proprietary funds to establish the estimated contributions required from other funds and to control expenditures.

B. Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year end are presented as reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred, or the commitment is paid.

C. Departures from Generally Accepted Accounting Principles (GAAP)

A portion of General Fixed Assets (land, buildings and improvements) are reported at appraised rather than historical cost as required by generally accepted accounting principles. (All equipment and vehicles, and any other new asset additions, are recorded at actual cost.) No depreciation was reported for governmental assets (K fund).

III. Cash and Cash Equivalents

Credit Risk – In compliance with the State Law, Village investments are limited to obligations of the United States of America, obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America, obligations of the State, time deposit accounts and certificates of deposit issued by a bank or trust company located in, and authorized to do business in, the State, and obligations used by other municipalities and authorities with the State.

Concentration of Credit Risk – To promote competition in rates and service costs, and to limit the risk of institutional failure, Village deposits and investments are placed with multiple institutions. The Village's investment policy limits the amounts that may be deposited with any on financial institution.

(III.) (Continued)

Interest Rate Risk – The Village has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates.

The Village’s aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year end, collateralized as follows:

| | | |
|---|-----------|-------------------------|
| Uncollateralized | \$ | - |
| Collateralized with securities held by the pledging financial institution | | 3,055,396 |
| Total | \$ | <u>3,055,396</u> |

Restricted cash represents cash where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year end includes \$1,119,579.82 within the governmental funds.

IV. Receivables

Receivables at May 31, 2020 for individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

| Description | Governmental Activities | | | Total |
|-----------------------------------|--------------------------------|--------------------|--------------------------|--------------------------|
| | General Fund | Sewer Fund | Electric Fund | |
| Miscellaneous Receivables | \$ 1,195 | \$ - | \$ 39,847 | \$ 41,042 |
| Commercial Refuse Services | 1,061 | - | - | 1,061 |
| Sewer Rents | - | - | - | - |
| Electric Services Receivables | - | - | 330,473 | 330,473 |
| Allowance for Uncollectible Accou | - | - | (5,500) | (5,500) |
| Total | <u>\$ 2,256</u> | <u>\$ -</u> | <u>\$ 364,820</u> | <u>\$ 367,076</u> |

V. **Interfund Receivables, Payables, Revenues and Expenditures**

Interfund Receivables, Payables, Revenues and Expenditures at May 31, 2020 were as follows:

| | Interfund | | Interfund | |
|------------------------------------|---------------------------|------------------------|------------------------|----------------------------|
| | <u>Receivables</u> | <u>Payables</u> | <u>Revenues</u> | <u>Expenditures</u> |
| General Fund | \$ 598 | \$ - | \$ - | \$ - |
| Sewer Fund | - | - | - | - |
| Electric Fund | - | - | - | - |
| Trust Fund | - | 598 | - | - |
| Capital Fund | - | - | - | - |
| Total government activities | <u>\$ 598</u> | <u>\$ 598</u> | <u>\$ -</u> | <u>\$ -</u> |

Interfund receivables and payables between governmental activities are eliminated on the Statement of Net Position. The Village typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are not necessarily expected to be repaid within one year.

Transfers are used to finance certain special aid programs, support capital project expenditures, school lunch programs and debt service expenditures.

VI. **Capital Assets**

Capital asset balances and activity were as follows:

| <u>Governmental</u> | Balance | Additions | Deletions | Balance |
|-----------------------------------|--------------------------|-------------------|-------------------|--------------------------|
| | <u>05/31/2019</u> | | | <u>05/31/2020</u> |
| Land | \$ 1,332,136 | \$ 40,240 | \$ - | \$ 1,372,376 |
| Buildings | 2,215,652 | - | - | 2,215,652 |
| Improvements other than buildings | 350,616 | 62,112 | - | 412,728 |
| Machinery & Equipment | 2,448,972 | 539,149 | 295,848 | 2,692,273 |
| Infrastructure* | 7,800,976 | - | - | 7,800,976 |
| Construction in progress | - | - | - | - |
| Total | \$ 14,148,352 | \$ 641,501 | \$ 295,848 | \$ 14,494,005 |
| <u>Electric Fund</u> | | | | |
| Land | \$ 6,566 | \$ - | \$ - | \$ 6,566 |
| Building | 486,687 | 63,900 | 5,392 | 545,195 |
| Construction in Progress | 72,639 | - | 55,639 | 17,000 |
| Other Improvements | 9,622,871 | 424,978 | 134,376 | 9,913,473 |
| Machinery & Equipment | 1,194,539 | 100,396 | 89,130 | 1,205,805 |
| Less contributed capital | (1,615,583) | (168,646) | - | (1,784,229) |
| Less Accumulated Depreciation | (7,336,484) | (314,569) | - | (7,651,053) |
| Total | \$ 2,431,235 | \$ 106,059 | \$ 284,537 | \$ 2,252,757 |

VII. Long-Term Debt Obligations

Long-term liability balances and activity for the year are summarized below:

| | Balance | | | Balance |
|---|----------------------------|-------------------------|--------------------------|----------------------------|
| Governmental Activities: | <u>06/01/2019</u> | <u>Additions</u> | <u>Deletions</u> | <u>05/31/2020</u> |
| <u>Bonds and Notes Payable -</u> | | | | |
| Serial Bonds | \$ 3,745,000 | \$ - | \$ 380,000 | \$ 3,365,000 |
| Total Bonds and Notes Payable | \$ 3,745,000 | \$ - | \$ 380,000 | \$ 3,365,000 |
| <u>Other Liabilities -</u> | | | | |
| Net Pension Liability | \$ 236,626 | \$ - | \$ - | \$ 236,626 |
| OPEB | 2,404,504 | - | - | 2,404,504 |
| Compensated Absences | \$ 65,186 | \$ 14,224 | \$ - | \$ 79,410 |
| Total Other Liabilities | \$ 2,706,316 | \$ 14,224 | \$ - | \$ 2,720,540 |
| Total Long-Term Obligations | <u>\$ 6,451,316</u> | <u>\$ 14,224</u> | <u>\$ 380,000</u> | <u>\$ 6,085,540</u> |

Existing serial and statutory bond obligations:

| <u>Description</u> | <u>Issue Date</u> | <u>Final Maturity</u> | <u>Interest Rate</u> | <u>Amount Outstanding 05/31/2020</u> |
|---|--------------------------|------------------------------|-----------------------------|---|
| <u>Governmental Serial Bonds -</u> | | | | |
| EFC Clean Water | 2011 | 2028 | 2.44 | <u>\$ 3,365,000</u> |
| <u>Enterprise Serial Bonds-</u> | | | | |
| General Obligations | 2008 | 2021 | various | <u>\$ 15,000</u> |

The following is a summary of debt service requirements:

| <u>Year</u> | <u>Serial Bonds</u> | |
|--------------------|----------------------------|--------------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2021 | 405,000 | 144,229 |
| 2022 | 400,000 | 127,033 |
| 2023 | 405,000 | 109,953 |
| 2024 - 2027 | 1,720,000 | 262,605 |
| 2028 | 450,000 | 19,215 |
| Total | <u>\$ 3,380,000</u> | <u>\$ 663,035</u> |

Interest on long-term debt for May 31, 2020 was \$39,978 in the governmental funds and \$538 in the Enterprise Electric fund.

(VII.) (Continued)

* This interest is subsidized by the Environmental Facilities Corporation through the State Revolving Fund by approximately one half.

** The interest paid on these bonds was paid net of interest revenue earned as follows:

| <u>Bond</u> | <u>Gross Interest Expense</u> | <u>Interest and Subsidy Revenue</u> | <u>Net Interest Paid</u> |
|--------------|-------------------------------|-------------------------------------|--------------------------|
| 2011 | \$ - | \$ - | \$ - |
| Total | \$ - | \$ - | \$ - |

VIII. Deferred Inflows/Outflows of Resources

The following is a summary of the deferred inflows/outflows of resources:

| | <u>Deferred Inflows</u> | | <u>Deferred Outflows</u> | |
|--------------|-------------------------|-------------------|--------------------------|-------------------|
| | <u>Governmental</u> | <u>Enterprise</u> | <u>Governmental</u> | <u>Enterprise</u> |
| Pension | \$ 28,599 | \$ 20,709 | \$ 450,437 | \$ 326,178 |
| OPEB | 320,541 | - | 29,092 | 12,792 |
| Total | \$ 349,140 | \$ 20,709 | \$ 479,529 | \$ 338,970 |

IX. Pension Plans

A. General Information

The Village participates in the New York State and Local Employee's Retirement System (ERS). This is a cost-sharing multiple employer public employee retirement system.. The System offers a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

B. Provisions and Administration

ERS provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. NYSRSSL govern obligations of employers and employees to contribute, and benefits to employees. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Village also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at www.osc.state.ny.us/retire/publications/index.php.

(IX.) (Continued)

C. **Funding Policies**

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. The Village paid 100% of the required contributions as billed by ERS for the current year

The Village's share of the required contributions, based on covered payroll paid for the Village's year ended May 31, 2020:

| <u>Contributions</u> | <u>ERS</u> |
|----------------------|------------|
| 2020 | 20095 |
| 2019 | \$ 193,890 |
| 2018 | \$ 195,469 |
| 2017 | \$ 208,292 |

A. **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions**

At May 31, 2020, the Village reported the following asset/(liability) for its proportionate share of the net pension asset /(liability) for the ERS system. The net pension asset/(liability) was measured as of March 31, 2020 for ERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The Village's proportion of the net pension asset/(liability) was based on a projection of the Village's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS System in reports provided to the Village.

| | |
|---|----------------|
| Measurement date | March 31, 2020 |
| Net pension assets/(liability) | \$ (1,293,029) |
| Village's portion of the Plan's total net pension asset/(liability) | 0.4883% |

For the year ended May 31, 2020, the Village recognized pension expenses of \$200,950 for ERS. At May 31, 2020 the Village's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(IX.) (Continued)

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| | <u>ERS</u> | <u>ERS</u> |
| Differences between expended and actual experience | \$ 76,100 | \$ - |
| Changes of assumptions | 26,035 | 22,481 |
| Net difference between projected and actual earnings on pension plan investments | 662,870 | - |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 11,610 | 26,827 |
| Grand Total | <u>\$ 776,615</u> | <u>\$ 49,308</u> |

Village contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended May 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year</u> | <u>Amount</u> |
|--------------|--------------------------|
| 2021 | \$ 114,990 |
| 2022 | 179,370 |
| 2023 | 240,058 |
| 2024 | 192,889 |
| 2025 | - |
| Thereafter | - |
| Total | <u>\$ 727,307</u> |

B. Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

| | |
|--------------------------|---|
| Measurement date | <u>ERS</u> March 31, 2019 |
| Actuarial valuation date | April 1, 2018 |
| Interest rate | 7.00% |
| Salary scale | 4.20% |
| Decrement tables | April 1, 2010- March 31, 2015 System's Experience |
| Inflation rate | 2.50% |
| COLA's | 1.30% |

(IX.) (Continued)

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

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 the 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 are summarized as follows:

| Long Term Expected Rate of Return | |
|--|----------------|
| | ERS |
| Measurement date | March 31, 2019 |
| <u>Asset Type -</u> | |
| Domestic equity | 4.55% |
| International equity | 6.35% |
| Global equity | 0.00% |
| Private equity | 7.50% |
| Real estate | 5.55% |
| Absolute return strategies * | 3.75% |
| Opportunistic portfolios | 5.68% |
| Real assets | 5.29% |
| Bonds and mortgages | 1.31% |
| Cash | -0.25% |
| Inflation-indexed bonds | 1.25% |
| Private debt | 0.00% |
| Real estate debt | 0.00% |
| High-yield fixed income securities | 0.00% |
| Domestic fixed income securities | 0.00% |
| Global fixed income securities | 0.00% |
| Short-term | 0.00% |

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

* Excludes equity-oriented long-only funds. For investment management purposes, these funds are included in domestic equity and internal equity.

C. Discount Rate

The discount rate used to calculate the total pension liability was 6.8% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the 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.

(IX.) (Continued)

D. 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 calculated using the discount rate of 6.80% for ERS, as well as what the Village's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentagepoint lower (5.80% for ERS) or 1-percentagepoint higher (7.80% for ERS) than the current rate :

| <u>ERS</u> | <u>1% Decrease (5.80%)</u> | <u>Current Assumption (6.80%)</u> | <u>1% Increase (7.80%)</u> |
|---|--------------------------------|---|--------------------------------|
| Employer's proportionate share of the net pension asset (liability) | \$ 2,373,073 | \$ 1,293,029 | \$ 298,304 |

E. Pension Plan Fiduciary Net Position

The components of the current year net pension asset/(liability) of the employers as of the respective valuation dates, were as follows:

| | <u>ERS</u> |
|--|-------------------|
| Measurement date | March 31, 2020 |
| Employers' total pension liability | \$ 438,960 |
| Plan net position | 429,964 |
| Employers' net pension asset/(liability) | <u>\$ (8,996)</u> |
| Ratio of plan net position to the employers' total pension asset/(liability) | 102.09% |

X. Postemployment Benefits

A. General Information About the OPEB Plan

Plan Description – The Village's defined benefit OPEB plan, provides OPEB for all permanent full-time general and public safety employees of the Village. The plan is a single-employer defined benefit OPEB plan administered by the Village. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the Village Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided – The Village provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the Village offices and are available upon request.

Employees Covered by Benefit Terms – At March 31, 2019, the following employees were covered by the benefit terms:

(X.) (Continued)

| | |
|--|-------------------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 24 |
| Inactive employees entitled to but not yet receiving benefit payments | - |
| Active Employees | <u>21</u> |
| Total | <u><u>45</u></u> |

B. Total OPEB Liability

The Village's total OPEB liability of \$4,110,264 was measured as of March 31, 2019, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the May 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--|---|
| Inflation | 3.0 percent |
| Salary Increases | 3.25 percent, average, including inflation |
| Discount Rate | 4.0 percent |
| Healthcare Cost Trend Rates | 9.5 percent for 20XX, decreasing 0.5 percent per year to an ultimate rate of 5.5 percent for 20XX and later years |
| Retirees' Share of Benefit-Related Costs | 45 percent of projected health insurance premiums for retirees |

The discount rate was based on a blending of the investment rate of return and the long-term bond rate using expected plan benefit payments.

The long-term bond rate was based on the Fidelity Municipal Go AA 20 year bond rate.

Mortality rates were based on the Pub-2010 Public Retirement Plans Mortality Tables, Head-count weighted, without separate contingent survivor mortality, fully generational using Scale MP-2018.

(X.) (Continued)

C. Changes in the Total OPEB Liability

| | |
|--|----------------------------|
| Balance at May 31, 2018 | \$ 4,446,306 |
| <u>Changes for the Year -</u> | |
| Service cost | \$ 86,067 |
| Interest | 164,068 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | (480,811) |
| Changes in assumptions or other inputs | 16,590 |
| Benefit payments | (121,956) |
| Net Changes | <u>\$ (336,042)</u> |
| Balance at May 31, 2019 | <u>\$ 4,110,264</u> |

There were no changes in benefit terms.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.72 percent in 2018 to 3.70 percent in 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Village, as well as what the Village’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.70 percent) or 1-percentage-point higher (4.70 percent) than the current discount rate:

| | 1% Decrease (2.70%) | Discount Rate (3.70%) | 1% Increase (4.70%) |
|----------------------|--------------------------------|--------------------------------------|--------------------------------|
| Total OPEB Liability | \$ 4,926,217 | \$ 4,110,264 | \$ 3,483,788 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the Village, as well as what the Village’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.20 percent) or 1-percentage-point higher (6.20 percent) than the current healthcare cost trend rate:

| | 1% Decrease (4.20% Decreasing to 3.32%) | Healthcare Cost Trend Rates (5.20% Decreasing to 4.32%) | 1% Increase (6.20% Decreasing to 5.32%) |
|----------------------|--|--|--|
| Total OPEB Liability | \$ 3,430,319 | \$ 4,110,264 | \$ 5,081,295 |

(X.) (Continued)

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended May 31, 2019, the Village recognized OPEB expense of \$95,395. At May 31, 2019, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expended and actual experience | \$ - | \$ 320,541 |
| Changes of assumptions | 11,060 | - |
| subtotal | <u>\$ 11,060</u> | <u>\$ 320,541</u> |
| Contributions after measurement date | 30,824 | - |
| Total | <u><u>\$ 41,884</u></u> | <u><u>\$ 320,541</u></u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year</u> | |
|--------------|----------------------------|
| 2020 | \$ (154,740) |
| 2021 | (154,740) |
| 2022 | (1) |
| Thereafter | - |
| Total | <u><u>\$ (309,481)</u></u> |

XI. Risk Management

A. General Information

The Village is exposed to various risks of loss related to injuries to employees, theft, damages, natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

B. Dental Coverage

The Village self insures for dental coverage for its employees. The expenditures as claims are presented for payment with a cap of \$1,000 per employee or employee dependent. The Village incurred \$19,496 in dental expenses for the year.

XII. Commitments and Contingencies

A. Litigation

There is no litigation pending against the Village as of the balance sheet date.

B. Grants

The Village has received grants, which are subject to audit by agencies of the State and Federal Governments. Such audits may result in disallowances and a request for a return of funds. Based on prior years' experience, the Village's administration believes disallowances, if any, will be immaterial.

XIII. Tax Abatement

The County of Monroe IDA, and the Village entered into one property tax abatement programs for the purpose of Economic Development. As a result, the Village property tax revenue was reduced \$22,459.47. Payment in lieu of taxes to be received is \$4,270.