

**AUDITED  
BASIC FINANCIAL STATEMENTS**

# **VILLAGE OF SPRINGVILLE, NEW YORK**

---

**MAY 31, 2016**

**VILLAGE OF SPRINGVILLE, NEW YORK**

**Table of Contents**

**Page**

**SECTION A**  
**FINANCIAL SECTION**

Independent Auditor's Report

**Basic Financial Statements**

Statement of Net Position	A1
Statement of Activities	A2
Balance Sheet - Governmental Funds	A3
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	A4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A5
Statement of Net Position - Enterprise Funds	A6
Statement of Revenues, Expenses and Changes in Net Position - Enterprise Funds	A7
Statement of Cash Flows - Enterprise Funds	A8
Statement of Net Position - Fiduciary Fund	A9
Notes to Basic Financial Statements	A10-A31

**Require Supplementary Information**

Budgetary Comparison Schedule for the General Fund	A32
Schedule of the Village's Proportionate Share of the Net Pension Liability – Employees' and Police and Fire Retirement Systems	A33
Schedule of the Village's Contributions – Employees' and Police and Fire Retirement Systems	A34

**SECTION B**  
**INTERNAL CONTROL AND COMPLIANCE**

Independent Auditor's Report On Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	B1-B2
---	-------

**SECTION A**  
**FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

The Honorable Members of the Village Board  
Village of Springville, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Village of Springville, New York (the 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.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, 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.

## **Emphasis of Matter**

As stated in Note 1, the Village adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An amendment of GASB Statement No. 27*; Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*; and Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

## **Other Matters**

### *Required Supplementary Information*

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

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement 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 appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 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.

*Freed Maxick CPAs, P.C.*

Batavia, New York  
November 1, 2016

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**STATEMENT OF NET POSITION**  
**MAY 31, 2016**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,697,416	\$ 317,049	\$ 2,014,465
Cash and cash equivalents - restricted	18,216	32,254	50,470
Accounts receivable (net of allowance for uncollectibles)	36,340	641,705	678,045
Internal balances	176,415	(176,415)	-
Inventory	-	235,944	235,944
Prepaid items	41,621	53,336	94,957
Capital assets not being depreciated	1,805,468	406,823	2,212,291
Capital assets, net of accumulated depreciation	7,788,718	18,501,034	26,289,752
<b>Total assets</b>	<u>11,564,194</u>	<u>20,011,730</u>	<u>31,575,924</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension outflows	<u>332,271</u>	<u>495,051</u>	<u>827,322</u>
<b>Total deferred outflows of resources</b>	<u>332,271</u>	<u>495,051</u>	<u>827,322</u>
<b>LIABILITIES</b>			
Accounts payable	128,078	65,031	193,109
Accrued liabilities	40,436	194,325	234,761
Accrued interest payable	10,427	24,121	34,548
Bond anticipation notes payable	795,000	400,000	1,195,000
Due to retirement system	15,901	23,775	39,676
Customer deposits	-	60,434	60,434
Other liabilities	3,015	48,397	51,412
Noncurrent liabilities:			
Due and payable within one year	111,950	445,884	557,834
Due and payable after one year	593,550	8,213,616	8,807,166
<b>Total liabilities</b>	<u>1,698,357</u>	<u>9,475,583</u>	<u>11,173,940</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension inflows	<u>47,277</u>	<u>69,787</u>	<u>117,064</u>
<b>Total deferred inflows of resources</b>	<u>47,277</u>	<u>69,787</u>	<u>117,064</u>
<b>NET POSITION</b>			
Net investment in capital assets	8,482,358	10,485,092	18,967,450
Restricted for capital projects	236,554	128,356	364,910
Unrestricted	1,431,919	347,963	1,779,882
<b>Total net position</b>	<u>\$ 10,150,831</u>	<u>\$ 10,961,411</u>	<u>\$ 21,112,242</u>

See notes to basic financial statements.

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MAY 31, 2016**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>						
<b>Governmental activities</b>						
General government	\$ 357,182	\$ 138,207	\$ -	\$ (218,975)	\$ -	\$ (218,975)
Public safety	1,016,102	194,823	-	(821,279)	-	(821,279)
Transportation	1,085,130	-	41,025	(1,044,105)	-	(1,044,105)
Economic assistance and opportunity	21,150	-	330,092	308,942	-	308,942
Culture and recreation	103,837	-	-	(103,837)	-	(103,837)
Home and community services	376,882	158,074	-	(218,808)	-	(218,808)
Interest on debt	19,701	-	-	(19,701)	-	(19,701)
Total governmental activities	<u>2,979,984</u>	<u>491,104</u>	<u>371,117</u>	<u>(2,117,763)</u>	<u>-</u>	<u>(2,117,763)</u>
<b>Business-type activities</b>						
Water	1,187,892	1,089,614	-	-	(98,278)	(98,278)
Sewer	880,630	703,536	-	-	(177,094)	(177,094)
Electric	3,476,950	3,281,812	-	-	(195,138)	(195,138)
Total business-type activities	<u>5,545,472</u>	<u>5,074,962</u>	<u>-</u>	<u>-</u>	<u>(470,510)</u>	<u>(470,510)</u>
Total primary government	<u>\$ 8,525,456</u>	<u>\$ 5,566,066</u>	<u>\$ 371,117</u>	<u>(2,117,763)</u>	<u>(470,510)</u>	<u>(2,588,273)</u>
<b>General revenues:</b>						
Real property taxes				1,673,200	-	1,673,200
Real property tax items				97,105	-	97,105
Non-property taxes				525,221	-	525,221
Use of money and property				1,292	389	1,681
State aid not restricted for a specific purpose				82,842	-	82,842
Other miscellaneous revenues				168,602	21,739	190,341
Capital contributions to other funds				-	(53,131)	(53,131)
Total general revenues and capital contributions				<u>2,548,262</u>	<u>(31,003)</u>	<u>2,517,259</u>
Change in net position				430,499	(501,513)	(71,014)
Net position - beginning, as restated (Note 4)				<u>9,720,332</u>	<u>11,462,924</u>	<u>21,183,256</u>
Net position - ending				<u>\$ 10,150,831</u>	<u>\$ 10,961,411</u>	<u>\$ 21,112,242</u>

See notes to basic financial statements.

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**BALANCE SHEET- GOVERNMENTAL FUNDS**  
**MAY 31, 2016**

	General	Capital Projects	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,697,416	\$ -	\$ 1,697,416
Cash and cash equivalents - restricted	-	18,216	18,216
Accounts receivable	36,340	-	36,340
Due from other funds	252,973	-	252,973
Prepaid items	41,621	-	41,621
Total assets	\$ 2,028,350	\$ 18,216	\$ 2,046,566
<b>LIABILITIES</b>			
Accounts payable	\$ 69,185	\$ 58,893	\$ 128,078
Accrued liabilities	40,436	-	40,436
Bond anticipation notes payable	-	795,000	795,000
Due to other funds	-	76,558	76,558
Due to retirement system	15,901	-	15,901
Other liabilities	3,015	-	3,015
Total liabilities	128,537	930,451	1,058,988
<b>FUND BALANCES (DEFICIT)</b>			
Nonspendable - prepaids	41,621	-	41,621
Restricted for capital projects	236,554	-	236,554
Assigned - subsequent years' expenditures	10,000	-	10,000
Unassigned (deficit)	1,611,638	(912,235)	699,403
Total fund balances (deficit)	1,899,813	(912,235)	987,578
Total liabilities and fund balances (deficit)	\$ 2,028,350	\$ 18,216	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation.	9,594,186
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Serial bonds payable	(183,750)
Installment purchase debt	(151,294)
Compensated absences	(19,658)
Net pension liability	(350,798)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(10,427)
Deferred outflows and inflows are not assets or liabilities of the current period and therefore are not reported in the funds	284,994
Net position of governmental activities	\$ 10,150,831

See notes to basic financial statements.

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED MAY 31, 2016**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Real property taxes	\$ 1,673,200	\$ -	\$ 1,673,200
Real property tax items	97,105	-	97,105
Non-property taxes	525,221	-	525,221
Services and fees	143,076	-	143,076
Intergovernmental charges	192,879	-	192,879
Use of money and property	1,292	-	1,292
Fines and permits	136,501	-	136,501
Sale of property and compensation for loss	25,725	-	25,725
Miscellaneous local sources	104,972	12,980	117,952
Interfund revenues	44,925	-	44,925
State sources	123,867	330,092	453,959
Total revenues	<u>3,068,763</u>	<u>343,072</u>	<u>3,411,835</u>
<b>EXPENDITURES</b>			
Current:			
General government	455,804	-	455,804
Public safety	719,392	-	719,392
Transportation	705,172	-	705,172
Economic assistance and opportunity	5,500	-	5,500
Culture and recreation	99,063	-	99,063
Home and community services	314,615	-	314,615
Employee benefits	421,663	-	421,663
Debt service:			
Principal	114,326	-	114,326
Interest	10,862	-	10,862
Capital outlay:			
General government	-	121,608	121,608
Transportation	-	1,210,400	1,210,400
Economic assistance and opportunity	-	15,650	15,650
Culture and recreation	-	46,358	46,358
Total expenditures	<u>2,846,397</u>	<u>1,394,016</u>	<u>4,240,413</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Installment purchase debt proceeds	-	191,870	191,870
Interfund transfers in	-	150,000	150,000
Interfund transfers out	<u>(150,000)</u>	<u>-</u>	<u>(150,000)</u>
Total other financing sources (uses)	<u>(150,000)</u>	<u>341,870</u>	<u>191,870</u>
Net change in fund balances	72,366	(709,074)	(636,708)
Fund balances (deficit) - beginning	<u>1,827,447</u>	<u>(203,161)</u>	<u>1,624,286</u>
Fund balances (deficit) - ending	<u>\$ 1,899,813</u>	<u>\$ (912,235)</u>	<u>\$ 987,578</u>

See notes to basic financial statements.

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MAY 31, 2016**

Net change in fund balances - total governmental funds	\$	(636,708)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$1,771,976) exceeded depreciation (\$483,523).		1,288,453
The net effect of various miscellaneous transactions involving capital assets (i.e. sales) is to decrease net position.		(105,146)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of debt repayments made in the current period.		114,326
Proceeds of installment purchase debt are recorded as other financing sources in the governmental funds, whereas the proceeds of installment purchase debt are reported as liabilities in the statement of net position.		(191,870)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when paid.		(8,839)
Change in accrued compensated absences reported in the statement of activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.		1,173
Change in the proportionate share of the net pension liability reported in the statement of net position does not provide for or require the use of current financial resources and therefore is not reported as expenditures in the governmental funds (ERS - \$235,952; PFRS - \$42,418).		(278,370)
Change in the proportionate share of the net deferred inflows and outflows reported in the statement of net position during the measurement period between the Village's contributions and its proportionate share of the total contributions to the pension systems subsequent to the measurement date do not provide for or require the use of current financial resources and therefore are not reported as expenditures in the governmental funds (ERS - \$207,729; PFRS - \$39,751).		<u>247,480</u>
Change in net position of governmental activities	\$	<u><u>430,499</u></u>

See notes to the basic financial statements.

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**STATEMENT OF NET POSITION - ENTERPRISE FUNDS**  
**MAY 31, 2016**

	<u>Electric</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 150	\$ 7,358	\$ 309,541	\$ 317,049
Cash and cash equivalents - restricted	-	-	32,254	32,254
Accounts receivable (net of allowance for uncollectibles in the Electric Fund)	345,785	129,214	166,706	641,705
Inventory	235,944	-	-	235,944
Prepaid items	30,999	7,493	14,844	53,336
Total current assets	612,878	144,065	523,345	1,280,288
Noncurrent assets:				
Capital assets not being depreciated	334,494	-	72,329	406,823
Capital assets, net of accumulated depreciation	5,852,168	5,488,819	7,160,047	18,501,034
Total noncurrent assets	6,186,662	5,488,819	7,232,376	18,907,857
Total assets	6,799,540	5,632,884	7,755,721	20,188,145
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension outflows	247,531	87,832	159,688	495,051
Total deferred outflows of resources	247,531	87,832	159,688	495,051
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	53,467	6,098	5,466	65,031
Accrued liabilities	166,706	10,778	16,841	194,325
Accrued interest payable	5,781	2,185	16,155	24,121
Bond anticipation notes payable	-	-	400,000	400,000
Customer deposits	60,434	-	-	60,434
Due to other funds	32,672	143,743	-	176,415
Due to retirement system	11,888	4,218	7,669	23,775
Other liabilities	48,397	-	-	48,397
Compensated absences	1,240	1,252	1,857	4,349
Loans payable	13,880	-	-	13,880
Serial bonds payable	132,346	61,750	233,559	427,655
Total current liabilities	526,811	230,024	681,547	1,438,382
Noncurrent liabilities:				
Compensated absences	11,156	11,270	16,715	39,141
Loans payable	11,663	-	-	11,663
Serial bonds payable	1,867,134	2,695,000	3,065,230	7,627,364
Net pension liability - proportionate share	267,730	94,999	172,719	535,448
Total noncurrent liabilities	2,157,683	2,801,269	3,254,664	8,213,616
Total liabilities	2,684,494	3,031,293	3,936,211	9,651,998
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension inflows	34,894	12,382	22,511	69,787
Total deferred inflows of resources	34,894	12,382	22,511	69,787
<b>NET POSITION</b>				
Net investment in capital assets	4,187,182	2,732,069	3,565,841	10,485,092
Restricted for capital projects	-	7,174	121,182	128,356
Unrestricted (deficit)	140,501	(62,202)	269,664	347,963
Total net position	\$ 4,327,683	\$ 2,677,041	\$ 3,956,687	\$ 10,961,411

See notes to basic financial statements.

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED MAY 31, 2016**

	<u>Electric</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 3,281,812	\$ 703,536	\$ 1,089,614	\$ 5,074,962
Other operating revenue	-	18,000	3,739	21,739
Total operating revenues	<u>3,281,812</u>	<u>721,536</u>	<u>1,093,353</u>	<u>5,096,701</u>
<b>OPERATING EXPENSES</b>				
Salaries, wages and employee benefits	417,802	286,382	360,998	1,065,182
Contractual expense	2,512,048	317,159	432,748	3,261,955
Depreciation	367,006	224,161	275,987	867,154
Total operating expenses	<u>3,296,856</u>	<u>827,702</u>	<u>1,069,733</u>	<u>5,194,291</u>
Operating income (loss)	<u>(15,044)</u>	<u>(106,166)</u>	<u>23,620</u>	<u>(97,590)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	-	5	384	389
Interest expense	(180,094)	(52,928)	(118,159)	(351,181)
Total nonoperating revenues (expenses)	<u>(180,094)</u>	<u>(52,923)</u>	<u>(117,775)</u>	<u>(350,792)</u>
Loss before capital contributions to other funds	<u>(195,138)</u>	<u>(159,089)</u>	<u>(94,155)</u>	<u>(448,382)</u>
Capital contributions to other funds	<u>(53,131)</u>	<u>-</u>	<u>-</u>	<u>(53,131)</u>
Change in net position	<u>(248,269)</u>	<u>(159,089)</u>	<u>(94,155)</u>	<u>(501,513)</u>
Net position - beginning, as restated (Note 4)	<u>4,575,952</u>	<u>2,836,130</u>	<u>4,050,842</u>	<u>11,462,924</u>
Net position - ending	<u>\$ 4,327,683</u>	<u>\$ 2,677,041</u>	<u>\$ 3,956,687</u>	<u>\$ 10,961,411</u>

See notes to basic financial statements.

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED MAY 31, 2016**

	<u>Electric</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Cash received from customers	\$ 3,400,058	\$ 689,792	\$ 1,102,086	\$ 5,191,936
Cash payments for contractual expenses	(2,463,266)	(322,009)	(592,886)	(3,378,161)
Cash payments to employees for services	(382,085)	(272,872)	(338,587)	(993,544)
Other operating revenues	-	18,000	3,739	21,739
Net cash provided by operating activities	<u>554,707</u>	<u>112,911</u>	<u>174,352</u>	<u>841,970</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>				
Interfund loans	32,672	(592)	-	32,080
Net cash provided by operating activities	<u>32,672</u>	<u>(592)</u>	<u>-</u>	<u>32,080</u>
<b><u>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</u></b>				
Acquisition and construction of capital assets	(491,253)	-	(81,207)	(572,460)
Principal payments on debt	(105,597)	(60,750)	(199,850)	(366,197)
Interest paid on debt	(188,843)	(52,990)	(145,681)	(387,514)
Proceeds from sales of bonds	150,730	-	72,739	223,469
Proceeds from sales of bond anticipation notes	-	-	35,000	35,000
Contributed capital to other funds	(53,131)	-	-	(53,131)
Net cash used by capital and financing activities	<u>(688,094)</u>	<u>(113,740)</u>	<u>(318,999)</u>	<u>(1,120,833)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Interest on cash and investments	-	5	384	389
Net cash provided by investing activities	<u>-</u>	<u>5</u>	<u>384</u>	<u>389</u>
Net decrease in cash and cash equivalents	(100,715)	(1,416)	(144,263)	(246,394)
Cash and cash equivalents - beginning	100,865	8,774	486,058	595,697
Cash and cash equivalents - ending	<u>\$ 150</u>	<u>\$ 7,358</u>	<u>\$ 341,795</u>	<u>\$ 349,303</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ (15,044)	\$ (106,166)	\$ 23,620	\$ (97,590)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	367,006	224,161	275,987	867,154
Pension expense	24,864	8,823	16,041	49,728
Change in assets and liabilities:				
Decrease (increase) in:				
Accounts receivable	118,246	(13,744)	12,472	116,974
Inventory	35,567	-	-	35,567
Prepaid items	(1,455)	(856)	(2,684)	(4,995)
Increase (decrease) in:				
Accounts payable	13,373	(3,994)	(157,454)	(148,075)
Accrued liabilities	12,167	(1,205)	(884)	10,078
Due to retirement system	11,888	4,218	7,669	23,775
Customer deposits	(20,812)	-	-	(20,812)
Other liabilities	14,658	-	-	14,658
Compensated absences	(5,751)	1,674	(415)	(4,492)
Net cash provided by operating activities	<u>\$ 554,707</u>	<u>\$ 112,911</u>	<u>\$ 174,352</u>	<u>\$ 841,970</u>
<b>Reconciliation of unrestricted and restricted cash and cash equivalents:</b>				
Cash and cash equivalents - unrestricted	\$ 150	\$ 7,358	\$ 309,541	\$ 317,049
Cash and cash equivalents - restricted	-	-	32,254	32,254
	<u>\$ 150</u>	<u>\$ 7,358</u>	<u>\$ 341,795</u>	<u>\$ 349,303</u>

See notes to basic financial statements.

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**STATEMENT OF NET POSITION - FIDUCIARY FUND**  
**MAY 31, 2016**

	<u>Agency</u>
<b>ASSETS</b>	
Cash	\$ 14
Service award program assets	994,266
Total assets	<u>\$ 994,280</u>
<b>LIABILITIES</b>	
Other liabilities	\$ 14
Service award program liabilities	994,266
Total liabilities	<u>\$ 994,280</u>

See notes to basic financial statements.

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Village of Springville, New York (the Village) have been prepared in conformity with accounting principles generally accepted in the United States of America (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. DESCRIPTION OF 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 nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

**B. REPORTING ENTITY**

The Village reports related organizations under the guidance of the Governmental Accounting Standards Board. The Standards define the primary government, and redefines and establishes the criteria for which potential component units are included in the reporting entity. The Standards also define financial accountability of the primary government as being determined on the basis of fiscal dependency, appointment of a voting majority of a governing board, ability to impose its will or potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government.

The accompanying basic financial statements include only the operations of the Village, since management has determined that there are no other organizations that meet the criteria for inclusion in the reporting entity of the Village.

**C. BASIS OF PRESENTATION**

**1. GOVERNMENT-WIDE FINANCIAL STATEMENTS**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the Village's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**2. FUND FINANCIAL STATEMENTS**

The fund financial statements provide information about the Village's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

For the purposes of the Statement of Cash Flows - Enterprise Funds, the Village considers cash to be all unrestricted and restricted cash accounts including demand accounts and certificates of deposit with an original maturity of generally three months or less.

The Village reports the following major governmental funds:

General Fund - the principal operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund - used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

The Village reports the following major enterprise funds:

Electric, Sewer, and Water Funds - used to account for operations that provide water, sewer, and electric services and are financed primarily by user charges.

Additionally, the Village reports the following fund types:

The Agency Funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, and other governments. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

During the course of operations the Village has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The government-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 when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within sixty days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within sixty days of year end). All other revenue items are considered to be measurable and available only when cash is received by the Village.

The proprietary funds reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

**E. BUDGETARY INFORMATION**

**1. BUDGETARY BASIS OF ACCOUNTING**

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general fund. The Village also adopts a budget for the electric, water and sewer funds, however, this is for expenditure control purposes as their budgets are not required to be legally adopted. The capital projects fund is appropriated on a project-length basis. A budget is not required for the fiduciary fund.

The appropriated budget is prepared by fund, function, and department. The Village's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

**F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE**

**1. CASH AND CASH EQUIVALENTS**

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

**2. RESTRICTED ASSETS**

Certain assets are classified on the balance sheet as restricted because their use is limited. The proceeds of bond or bond anticipation note (BAN) sales can only be used for the stated purpose of the borrowing and are restricted specifically for that purpose.

**3. INVENTORY**

Inventory is valued at cost utilizing the first-in, first-out (FIFO) method for Governmental Funds and average cost method for Proprietary Funds. Inventory consists of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

**4. PREPAID ITEMS**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**5. ACCOUNTS RECEIVABLE**

Accounts receivables are carried at their net realizable value. Accounts are written-off as uncollectible after the likelihood of payment is considered remote by management. The allowance for uncollectible accounts has been established by management, using past history of uncollectible accounts. As of May 31, 2016, the provision for uncollectible accounts amounted to \$1,006 in the Electric Fund.

**6. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the Village chose to include all such items regardless of their acquisition date or amount. The Village was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the Village constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life.

Land and construction in progress are not depreciated. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	straight-line	15-50 years
Improvements	5,000	straight-line	10-20 years
Infrastructure	5,000	straight-line	15-50 years
Vehicles and equipment	5,000	straight-line	10-40 years

**7. INSURANCE**

The Village is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, personal injury liability, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. 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. Settled claims from these risks have not exceeded commercial insurance coverage for the past three fiscal years.

**8. COMPENSATED ABSENCES**

Vacation

The Village's policy permits employees use vacation benefits by the end of the calendar year and no carryover is allowed. If any employee were to leave the Village prior to the end of the calendar year, any unused vacation will be paid out accordingly. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements for any amounts unused at the end of the Village's fiscal year. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Sick Leave

Accumulated sick leave lapses when employees leave the employment of the Village and, upon separation from service, no monetary obligation exists.

**9. DEFERRED OUTFLOWS/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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Village has one item that qualifies for reporting in this category. This item is related to pensions (ERS and PFRS) and is reported in the government-wide Statement of Net Position and the Statement of Net Position – Enterprise Funds.

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

This represents the effect of the net change in the Village's proportion of the collective net pension liability and the difference during the measurement period between the Village's contributions and its proportional share of total contributions to the pension systems not included in pension expense. Lastly, it includes Village contributions to the pension systems (ERS and PFRS) subsequent to the measurement date. See details of deferred pension outflows in Note 3.D.

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 one item that qualifies for reporting in this category. This item is related to pensions reported in the government-wide Statement of Net Position and the Statement of Net Position – Enterprise Funds. This represents the effect of the net change in the Village's proportion of the collective net pension liability (ERS and PFRS) and difference during the measurement periods between the Village's contributions and its proportional share of total contributions to the pension systems not included in pension expense. See details of deferred pension inflows in Note 3.D.

**10. LONG-TERM LIABILITIES**

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of serial bonds payable, installment purchase debt, compensated absences and net pension liability.

Long-term liabilities for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal, interest and other long-term benefits are reported as expenditures.

**11. NET POSITION FLOW ASSUMPTIONS**

Sometimes the Village will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the Village's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**12. FUND BALANCE FLOW ASSUMPTION**

Sometimes the Village will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

It is the Village's policy that the Village Board will assess the current financial condition of the Village and then determine the order of application of expenditures to which fund balance classifications will be charged.

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**13. FUND BALANCE POLICIES**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Village itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Village's highest level of decision-making authority. The Village Board is the highest level of decision-making authority for the Village that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as committed. The Village Board (the Board) has by resolution authorized the finance director to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**G. REVENUES AND EXPENDITURES/EXPENSES**

**1. PROGRAM REVENUES**

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**2. PROPERTY TAXES**

Property taxes attach as an enforceable lien on real property and are levied as of May 15<sup>th</sup> and become a lien on June 1<sup>st</sup>. Taxes are collected during the period of June 1<sup>st</sup> through November 1<sup>st</sup>. The unpaid taxes are then turned over to the County for enforcement. Any such taxes remaining unpaid at the year-end are relieved as County taxes in the subsequent year.

**3. PROPRIETARY FUNDS – OPERATING AND NONOPERATING REVENUES AND EXPENSES**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund, sewer fund, and electric fund are charges to customers for sales and services. The water fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. USE OF ESTIMATES**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**I. ACCOUNTING PRONOUNCEMENTS**

During the fiscal year ended May 31, 2016, the Village adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An amendment of GASB Statement No. 27*; Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*; and Statement No. 76, *The Hierarchy of Generally accepted Accounting Principles for State and Local Governments*.

The primary objective of Statement No. 68 and No. 71 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. These Statements result from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

The GASB has issued the following new statements:

- Statement No. 72, *Fair Value Measurement and Application*, which will be effective for the year ending May 31, 2017;
- Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits Other than Pensions*, which will be effective for the year ending May 31, 2019;
- Statement No. 77, *Tax Abatement Disclosures*, which will be effective for the year ending May 31, 2017; and
- Statement No. 82, *Pension Issues An Amendment of GASB Statements No. 67, 68 and 73*, which will be effective for the year ending May 31, 2018.

The Village is currently reviewing these statements and plans on adoption, as required.

**J. SUBSEQUENT EVENTS**

These financial statements have not been updated for subsequent events occurring after November 1, 2016, which is the date these financial statements were available to be issued.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. DEFICIT FUND EQUITY**

At May 31, 2016 the capital projects fund, a major fund, has a deficit fund balance of \$912,235. It is not unusual for a capital projects fund, especially one that finances capital projects mainly by borrowings, to report a deficit. One reason for the deficit in this case is that the Village issued bond anticipation notes (BANS), which do not qualify for treatment as a long-term liability. Accordingly, the BANS are reported as a fund liability in the capital projects fund balance sheet (rather than an inflow on the statement of revenues, expenditures, and changes in fund balances).

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

When the cash from the BANS is spent, expenditures are reported and fund balance is reduced. Because the BANS are the main source of resources for the fund, the result is an overall fund deficit. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANS. As for the remaining deficit in this fund, it is the Villages' intention to eliminate the deficit through permanent transfers from the general fund and anticipated grant funding.

In addition, the sewer fund has a deficit unrestricted net position of \$62,202. It is the Village's intention to eliminate this deficit by establishing gradual rate increases.

**NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS**

**A. DEPOSITS AND INVESTMENTS**

The Village's 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 interest bearing demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and obligations of the State of New York and its localities.

Collateral is required for demand deposits and certificates of 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.

The Village's aggregate bank balances were fully collateralized at May 31, 2016.

Restricted cash represents cash and cash equivalents 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 is \$18,216 in the Capital Projects Fund and \$32,254 in the Water Fund.

Investment and Deposit Policy

The Village follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Village Administrator.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Village's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Village's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The Village's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Village's investment and deposit policy, all deposits of the Village including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 102% of the aggregate amount of deposits. The Village restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.

**B. RECEIVABLES**

Significant revenues accrued by the Village at May 31, 2016 include the following:

Water Fund

Water rents receivable	\$ 79,169
Unbilled receivables	87,337
Miscellaneous receivables	<u>200</u>
 Total accounts receivable	 \$ <u>166,706</u>

Sewer Fund

Sewer rents receivable	\$ 53,180
Unbilled receivables	58,034
Local grant	<u>18,000</u>
 Total accounts receivable	 \$ <u>129,214</u>

Electric Fund

Electric rents receivable	\$ 114,642
Unbilled receivables	232,149
Allowance for uncollectible accounts	<u>(1,006)</u>
 Total accounts receivable	 \$ <u>345,785</u>

**C. CAPITAL ASSETS**

Capital asset activity for the year ended May 31, 2016, was as follows:

**Governmental Activities:**

	Balance <u>06/01/15</u>	Increases	Decreases	Balance <u>05/31/16</u>
<u>Capital assets, not being depreciated:</u>				
Land	\$ 280,839	\$ 187,978	\$ -	\$ 468,817
Construction work in progress	<u>150,155</u>	<u>1,186,496</u>	-	<u>1,336,651</u>
Total capital assets not being depreciated	<u>430,994</u>	<u>1,374,474</u>	-	<u>1,805,468</u>
<u>Capital assets, being depreciated:</u>				
Buildings	2,095,584	-	-	2,095,584
Improvements	355,433	-	-	355,433
Vehicles & equipment	2,866,968	375,166	224,521	3,017,613
Infrastructure	<u>14,046,595</u>	<u>22,336</u>	-	<u>14,068,931</u>
Total capital assets, being depreciated	<u>19,364,580</u>	<u>397,502</u>	<u>224,521</u>	<u>19,537,561</u>

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

	Balance 06/01/15	Increases	Decreases	Balance 05/31/16
<u>Less accumulated depreciation:</u>				
Buildings	1,552,746	65,354	-	1,618,100
Improvements	131,360	18,060	-	149,420
Vehicles & equipment	2,190,839	121,666	119,375	2,193,130
Infrastructure	<u>7,509,750</u>	<u>278,443</u>	<u>-</u>	<u>7,788,193</u>
Total accumulated depreciation	<u>11,384,695</u>	<u>483,523</u>	<u>119,375</u>	<u>11,748,843</u>
Total capital assets being depreciated, net	<u>7,979,885</u>	<u>(86,021)</u>	<u>105,146</u>	<u>7,788,718</u>
Governmental activities capital assets, net	\$ <u>8,410,879</u>	\$ <u>1,288,453</u>	\$ <u>105,146</u>	\$ <u>9,594,186</u>

Depreciation expense was charged to the functions/programs of the governmental activities as follows:

<u>Governmental activities:</u>		
General government		\$ 14,224
Public safety		87,120
Transportation		337,464
Culture and recreation		13,440
Home and community services		<u>31,275</u>
Total depreciation expense - governmental activities		\$ <u>483,523</u>

**Business-Type Activities:**

	Balance 06/01/15	Increases	Decreases	Balance 05/31/16
<u>Capital assets, not being depreciated:</u>				
Land	\$ 117,302	\$ -	\$ -	\$ 117,302
Construction work in progress	<u>126,249</u>	<u>343,018</u>	<u>179,746</u>	<u>289,521</u>
Total capital assets not being depreciated	<u>243,551</u>	<u>343,018</u>	<u>179,746</u>	<u>406,823</u>
<u>Capital assets, being depreciated:</u>				
Buildings	5,138,213	-	-	5,138,213
Vehicles & equipment	538,652	6,360	-	545,012
Improvements other than buildings	12,658,272	375,406	166,640	12,867,038
Infrastructure	<u>27,586,795</u>	<u>179,746</u>	<u>-</u>	<u>27,766,541</u>
Total capital assets, being depreciated	<u>45,921,932</u>	<u>561,512</u>	<u>166,640</u>	<u>46,316,804</u>
<u>Less accumulated depreciation:</u>				
Buildings	3,022,806	108,104	-	3,130,910
Vehicles & equipment	249,834	41,093	-	290,927
Improvements other than buildings	6,715,311	370,136	14,316	7,071,131
Infrastructure	<u>16,974,981</u>	<u>347,821</u>	<u>-</u>	<u>17,322,802</u>
Total accumulated depreciation	<u>26,962,932</u>	<u>867,154</u>	<u>14,316</u>	<u>27,815,770</u>
Total capital assets, being depreciated - net	<u>18,959,000</u>	<u>(305,642)</u>	<u>152,324</u>	<u>18,501,034</u>
Business-type activities capital assets, net	\$ <u>19,202,551</u>	\$ <u>37,376</u>	\$ <u>332,070</u>	\$ <u>18,907,857</u>

The depreciation expense for the electric fund is adjusted for the gain/loss on the disposal of assets and therefore the current year expense is less than the amount noted above.

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

**D. PENSION OBLIGATIONS**

***New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS)***

**PLAN DESCRIPTION**

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 New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer defined benefit retirement system. 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 fiduciary 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. System benefits are established under the provisions of the New York State Retirement and Social Security Law (NYSRSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Village also participates in the Public Employees' Group Life Insurance Plan (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. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

**FUNDING POLICY**

The System is noncontributory, except for employees who joined the ERS after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 10, 2010 (ERS) or January 9, 2010 (PFRS), who generally contribute three percent (3%) to three and one half percent (3.5%) 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. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the system's fiscal year ending March 31<sup>st</sup>.

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**

At May 31, 2016, the Village reported the following liability for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

	<u>ERS</u>	<u>PFRS</u>
Measurement date	March 31, 2016	March 31, 2016
Net pension liability	\$ 839,329	\$ 46,917
Village's portion of the Plan's total net pension liability	.0052294%	.0015846%

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

For the year ended May 31, 2016, the Village recognized pension expense of \$338,895. At May 31, 2016 the Village's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>PFRS</u>	<u>ERS</u>	<u>PFRS</u>
Differences between expected and actual experience	\$ 4,241	\$ 421	\$ 99,488	\$ 7,093
Changes of assumptions	223,824	20,226	-	-
Net difference between projected and actual earnings on pension plan investments	497,935	26,293	-	-
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	<u>12,737</u>	<u>1,969</u>	<u>9,905</u>	<u>578</u>
Total	<u>\$ 738,737</u>	<u>\$ 48,909</u>	<u>\$ 109,393</u>	<u>\$ 7,671</u>
Village's contributions subsequent to the measurement date	<u>\$ 37,268</u>	<u>\$ 2,408</u>		

Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended May 31, 2017. 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>ERS</u>	<u>PFRS</u>
Year ended:		
2017	\$ 161,232	\$ 9,664
2018	161,232	9,664
2019	161,232	9,664
2020	145,649	9,286
2021	-	2,960
Thereafter	-	-

**ACTUARIAL ASSUMPTIONS**

The total pension liability as of the March 31, 2016 was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016. The actuarial valuation used the following actuarial assumptions:

	<u>ERS</u>	<u>PFRS</u>
Inflation	2.5%	2.5%
Salary increases	3.8	4.5
Investment rate of return (net of investment expense, including inflation)	7.0	7.0
Cost of living adjustments	1.3	1.3

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

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

The actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016 are summarized below:

<u>Asset Class:</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	38.0%	7.3%
International equity	13.0	8.6
Private equity	10.0	11.0
Real estate	8.0	8.3
Absolute return strategies	3.0	6.8
Opportunistic portfolio	3.0	8.6
Real assets	3.0	8.7
Bond and mortgages	18.0	4.0
Cash	2.0	2.3
Inflation-indexed bonds	2.0	4.0
Total	<u>100.0%</u>	

**DISCOUNT RATE**

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' 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.

**SENSITIVITY OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO THE DISCOUNT RATE ASSUMPTION**

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

	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
<b><u>ERS</u></b>			
Village's proportionate share of the net pension liability (asset)	\$ 1,892,625	\$ 839,329	(\$ 50,662)
<b><u>PFRS</u></b>			
Village's proportionate share of the net pension liability (asset)	\$ 104,794	\$ 46,917	(\$ 1,597)

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

**PENSION PLAN FIDUCIARY NET POSITION**

The components of the current-year net pension liability of the employers as of March 31, 2016 were as follows:

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

**PAYABLES TO THE PENSION PLAN**

For ERS and PFRS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of May 31, 2016 represent the projected employer contribution for the period of April 1, 2016 through May 31, 2016 based on paid ERS and PFRS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2016 amounted to \$37,268 and \$2,408 for ERS and PFRS, respectively.

**E. LENGTH OF SERVICE AWARD PROGRAM (LOSAP)**

***Defined Benefit Volunteer Firefighter Award Program***

The Village established a defined benefit LOSAP for the active volunteer firefighters of the Springville Engine Company No. 1. The program took effect on January 1, 1997 and was established pursuant to Article 11-A of the General Municipal Law. The program provides municipally-funded pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters. The Village is the sponsor of the program.

The Village financial statements are for the year ended May 31, 2016, however, the information contained in this note is based on information for the LOSAP for the program year ending on December 31, 2015, which is the most recent program year for which complete information is available.

**PROGRAM DESCRIPTION**

1) **Participation, Vesting and Service Credit**

Active volunteer firefighters who have reached the age of 18 and who have completed one year of firefighting service are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with five years of firefighting service or upon attaining the program's entitlement age. The program's entitlement age is 62. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for five years of firefighting service rendered prior to the establishment of the program.

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

2) Benefits

A participant's benefit under the program is the life annuity, with ten years certain, equal to \$20 multiplied by the person's total number of years of firefighting service. The number of years of firefighting service used to compute the benefit cannot exceed twenty. Except in the case of disability or death, benefits are payable when a participant reaches entitlement age. The program provides statutorily mandated death and disability benefits.

FIDUCIARY INVESTMENT AND CONTROL

Service credit is determined by the governing board of the sponsor, based on information certified to the governing board by each fire company having members who participate in the program. Each fire company must maintain all required records on forms prescribed by the governing board.

The governing board of the sponsor has retained and designated the Village Board of Trustees, recommended from the Service Award Program Committee, to assist in the administration of the program. The designated program administrator's functions include: maintaining the firefighter records, communicating the program to firefighters, enrolling firefighters, and maintaining financial records. Disbursements of program assets for the payment of benefits or administrative expenses must be approved by the Village of Springville Board of Trustees.

Program assets are required to be held in trust by LOSAP legislation, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program. The trustee is the Village of Springville Village Board of Trustees.

Authority to invest program assets is vested in the Village of Springville Board of Trustees. Subject to restrictions in the program document, program assets are invested in accordance with a statutory "prudent person" rule. The program document restricts investments as described in the *Investments Policy Statement*.

The sponsor is required to retain an actuary to determine the amount of the sponsor's contributions to the plan. The actuary retained by the sponsor for this purpose is Harbridge Consulting Group, LLC, Inc. Portions of the following information are derived from a report prepared by the actuary dated December 31, 2015.

Program Financial Condition:

Assets and Liabilities

Actuarial present value of benefits at December 31, 2015		\$ 1,199,708
Less assets available for benefits:		
Cash and money market	7.83%	77,854
Annuities	92.17%	<u>916,412</u>
Total net assets available for benefits		<u>994,266</u>
Deficit of assets available for benefits over actuarial present value of benefits		205,442
Less: Unfunded liability for prior service		<u>205,442</u>
Unfunded normal benefits		\$ <u><u>          -</u></u>

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

Receipts and Disbursements

Plan net assets, beginning of year		\$ 949,155
Changes during the year:		
+ Plan contribution receipts	72,900	
+ Investment adjustment	31	
+ Investment income earned	31,580	
- Past entitlement payments	(13,620)	
- Plan benefit withdrawals	<u>(45,780)</u>	
Plan net assets, end of year		\$ <u>994,266</u>

Contributions

Amount of sponsor's contribution recommended by actuary – Plan year 2015 \$ 96,279 – \$ 126,044  
Amount of sponsor's contribution recommended by actuary – Plan year 2016 \$ 89,901 – \$ 136,354

Administration Fees

Fees paid to designated program administrator		\$ 4,400
Insurance premiums		<u>\$ 2,660</u>

**FUNDING POLICY**

Normal Costs - The actuarial valuation methodology used by the actuary to determine the sponsor's contribution is Unit Credit Cost Method. The assumptions used by the actuary to determine the sponsor's contribution and the actuarial present value of benefits are:

Assumed rate of return on investments	5.25%
Mortality tables used for:	
Withdrawal	None
Disability	None
Retirement	RP2000 Combined Table - Unisex
Death (actives)	None
Death (inactives)	None

**F. LEASE OBLIGATIONS**

***Capital Lease***

The Village entered into a lease agreement as lessee for financing the acquisition of a street sweeper for governmental activities. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of May 31, 2016, were as follows:

	<u>Governmental</u>
<u>Year ending May 31</u>	<u>Activities</u>
2017	\$ 40,576
2018	40,576
2019	40,576
2020	<u>40,575</u>
Total minimum lease payments	162,303
Less: amount representing interest	<u>(11,009)</u>
Present value of minimum lease payments	\$ <u>151,294</u>

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

**G. SHORT-TERM DEBT**

The purpose of all of the short-time borrowings was to provide resources for various capital construction or improvement projects. The form of financing used in all cases was bond anticipation notes (BAN). The amounts issued for governmental activities are accounted for in the capital projects fund and the amounts issued for business-type activities relate to a single fund and are therefore reported in that single fund, the water enterprise fund.

State law requires that bond anticipation notes issued for capital purposes be converted to long-term obligations within five years after the original issue date, if not completely repaid. However, bond anticipation notes 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.

The schedule below details the changes in short-term capital borrowings during the year ended May 31, 2016:

	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance 06/01/15</u>	<u>Issued</u>	<u>Redemptions</u>	<u>Balance 05/31/16</u>
<b>Governmental Activities:</b>						
Streetscape project	2015	1.07%	\$ _____	\$ <u>795,000</u>	\$ _____	\$ <u>795,000</u>
<b>Business-Type Activities:</b>						
Water System Improvements	2014	1.62%	\$ 65,000	\$ -	\$ 65,000	\$ -
Water System Improvements	2014	2.00%	300,000	-	300,000	-
Water System Improvements	2015	1.50%	-	200,000	-	200,000
Water System Improvements	2015	1.07%	-	200,000	-	200,000
			<u>\$ 365,000</u>	<u>\$ 400,000</u>	<u>\$ 365,000</u>	<u>\$ 400,000</u>

**H. LONG-TERM LIABILITIES**

**GENERAL OBLIGATION BONDS**

The Village issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. General obligation bonds outstanding at May 31, 2016 are as follows:

**Governmental Activities**

<u>Issue Description</u>	<u>Original Issue Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding Balance 05/31/16</u>
<b>General Obligation Bonds:</b>					
Public Improvement	2003	\$ 585,000	4.50%	2018	\$ 135,000
Various Projects	2008	253,000	4.38%	2017	48,750
					<u>\$ 183,750</u>

**Business-Type Activities**

<u>Issue Description</u>	<u>Original Issue Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding Balance 05/31/16</u>
<b>General Obligation Bonds:</b>					
Various Projects - Sewer	2008	\$ 33,000	4.38%	2016	\$ 3,750
WWTP Projects - Sewer	2013	2,985,000	1.875%	2050	2,753,000
Various Projects & Equipment - Electric	1997	874,000	5.40%	2017	25,000
Various Projects - Electric	2008	2,248,000	4.38%	2033	138,750
Refunding Public Improvement Serial Bonds - Electric	2016	1,717,000	2.00%	2034	1,717,000
Various Projects - Water	2008	485,500	4.38%	2017	63,750
Refunding Public Improvement Serial Bonds - Water	2016	1,545,000	2.00%	2044	1,603,000
Clean Water Revolving Fund - Water (refinanced)	2016	1,720,000	4.227%	2026	1,585,000
					<u>\$ 7,889,250</u>

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

**OTHER LONG-TERM LIABILITIES**

A non-current liability for a loan payable related to a Village energy efficiency program is recorded in the Electric Fund.

**LEGAL DEBT MARGIN**

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

**ADVANCE REFUNDING**

The Village issued \$1,717,000 in public improvement bonds with an interest rate of 2.00% to 4.00%. The proceeds were used to advance refund \$1,685,000 of an outstanding 2008 electric fund public improvement bonds which had a variable interest rate of 4.50% to 4.75%. The net proceeds of \$1,785,610 (including a \$118,730 premium and after payment of \$50,120 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds not callable until September 2017. As a result, the 2008 electric fund public improvement bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price equated to the net carrying amount of the old debt therefore no additional amortization was considered necessary related to this transaction. The Village advance refunded the 2008 electric fund public improvement bonds to reduce its total debt service payments by \$262,361 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$197,596.

**CURRENT REFUNDING**

The Village issued \$1,603,000 in public improvement bonds with an interest rate of 2.00% to 4.00%. The proceeds were used to refund \$1,577,300 of outstanding 2006 Series A and B water fund improvement bonds which had an interest rate of 4.38%. The net proceeds of \$1,601,594 (including a \$47,039 premium and after payment of \$48,444 in underwriting fees and other issuance costs) were used to provide funds for debt service payment on the refunded bonds. As a result, the liability for the 2006 series A and B water fund public improvements bonds have been removed from the statement of net position.

The reacquisition price equated to the net carrying amount of the old debt therefore no additional amortization was considered necessary related to this transaction. The Village refunded the 2006 Series A and B water fund public improvement bonds to reduce its total debt service payment respectively, by \$334,026 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$243,091.

**CHANGES IN LONG-TERM LIABILITIES**

Changes in the Village's long-term liabilities for the year ended May 31, 2016 are as follows:

	Balance 06/01/15	Additions	Reductions	Balance 05/31/16	Due Within One Year
<b><u>Governmental Activities</u></b>					
General obligation bonds	\$ 257,500	\$ -	\$ 73,750	\$ 183,750	\$ 73,750
Installment purchase debt	-	191,870	40,576	151,294	36,234
Compensated absences	20,831	47,804	48,977	19,658	1,966
Net pension liability	<u>72,428</u>	<u>278,370</u>	<u>-</u>	<u>350,798</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 350,759</u>	<u>\$ 518,044</u>	<u>\$ 163,303</u>	<u>\$ 705,500</u>	<u>\$ 111,950</u>
<b><u>Business-Type Activities</u></b>					
Bonds Payable:					
General obligation bonds	\$8,185,900	\$5,040,000	\$5,336,650	\$7,889,250	\$ 419,250
Unamortized premium	-	165,769	-	165,769	8,405
Total bonds payable	8,185,900	5,205,769	5,336,650	8,055,019	427,655
Loan payable – NYPA	37,390	-	11,847	25,543	13,880
Compensated absences	47,982	81,673	86,165	43,490	4,349
Net pension liability	<u>119,692</u>	<u>415,757</u>	<u>-</u>	<u>535,449</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$8,390,964</u>	<u>\$5,703,199</u>	<u>\$5,434,662</u>	<u>\$8,659,501</u>	<u>\$ 445,884</u>

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

The debt service requirements for the Village's bonds and loan are as follows:

**Governmental Activities**

<u>Year ending</u> <u>May 31,</u>	<u>Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 73,750	7,579
2018	65,000	4,488
2019	45,000	2,025
Total	<u>\$ 183,750</u>	<u>\$ 14,092</u>

**Business-Type Activities**

<u>Year ending</u> <u>May 31,</u>	<u>Bonds</u>		<u>Loan Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 419,250	155,587	\$ 13,880	\$ 175
2018	359,000	180,751	11,663	49
2019	336,000	171,307	-	-
2020	342,000	164,851	-	-
2021	353,000	157,604	-	-
2022-2026	1,903,000	664,224	-	-
2027-2031	1,200,000	472,338	-	-
2032-2036	1,128,000	272,350	-	-
2037-2041	840,000	157,997	-	-
2042-2046	594,000	69,431	-	-
2047-2051	415,000	19,388	-	-
Total	<u>\$ 7,889,250</u>	<u>\$ 2,485,828</u>	<u>\$ 25,543</u>	<u>\$ 224</u>

<u>Year ending</u> <u>May 31,</u>	<u>Total Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 433,130	\$ 155,762
2018	370,663	180,800
2019	336,000	171,307
2020	342,000	164,851
2021	353,000	157,604
2022-2026	1,903,000	664,224
2027-2031	1,200,000	472,338
2032-2036	1,128,000	272,350
2037-2041	840,000	157,997
2042-2046	594,000	69,431
2047-2051	415,000	19,388
Total	<u>\$ 7,914,793</u>	<u>\$ 2,486,052</u>

Authorized but Unissued Debt

On May 16, 2016, the Village authorized the issuance of bonds in the amount of \$685,000 for the Heritage Park Project, however, the Village anticipates only borrowing \$345,000 as the remainder of the project is expected to be grant funded. These funds are not expected to be borrowed until November 2016.

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

**I. INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of May 31, 2016 is as follows:

***Due from/to other funds:***

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Sewer	\$ 143,743
General	Capital Projects	76,558
General	Electric	<u>32,672</u>
Total		<u>\$ 252,973</u>

The outstanding balances between funds result from reclassifications within funds for negative cash balances at the Village's fiscal year end.

**J. INTERFUND TRANSFERS**

The composition of interfund balances as of May 31, 2016 is as follows:

***Interfund transfers:***

	<u>Transfer in:</u>
	<u>Capital Projects Fund</u>
<u>Transfer out:</u>	
General Fund	\$ <u>150,000</u>

During the year, transfers were made per the adopted budget for various projects.

**K. CONTINGENCIES**

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

**NOTE 4 - RESTATEMENT OF FUND BALANCE/NET POSITION**

For the fiscal year ended May 31, 2016, the Village implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The implementation of Statements No. 68 and No. 71 resulted in the reporting of deferred outflow of resources, a pension liability and deferred inflow of resources related to the Village's participation in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS). The Village's net positions have been restated as follows:

<b>Governmental Activities</b>	
Net position - beginning, as previously stated	\$ 9,755,246
GASB Statement No. 68 and No. 71 implementation:	
Beginning system liability - ERS	(67,929)
Beginning system liability - PFRS	(4,499)
Beginning deferred inflows of resources - PFRS	(645)
Beginning deferred outflows of resources - ERS	33,619
Beginning deferred outflows of resources - PFRS	<u>4,540</u>
Net position - beginning of year, as restated	<u>\$ 9,720,332</u>

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 4 - RESTATEMENT OF FUND BALANCE/NET POSITION (Continued)**

**Business-Type Activities**

	<u>Electric</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Net position - beginning, as previously stated	\$ 4,606,181	\$ 2,846,856	\$ 4,070,343	\$11,523,380
GASB Statement No. 68 and No. 71 implementation:				
Beginning system liability - ERS	(59,848)	(21,236)	(38,609)	(119,693)
Beginning deferred outflows of resources - ERS	29,619	10,510	19,108	59,237
Net position - beginning, as restated	<u>\$ 4,575,952</u>	<u>\$ 2,836,130</u>	<u>\$ 4,050,842</u>	<u>\$11,462,924</u>

**NOTE 5 - SUBSEQUENT EVENT**

In July 2016, the Village issued bond anticipation notes in the amount of \$2,845,000 for the Franklin Street project, the streetscape project, a bucket truck and the waterline project. Both the streetscape and waterline projects were BAN renewals.

Management has evaluated subsequent events through November 1, 2016 which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles other than the issuance of the bond anticipation notes referred to above.

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**FOR THE YEAR ENDED MAY 31, 2016**

	General Fund			Variance from Final Budget
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Real property taxes	\$ 1,675,427	\$ 1,673,200	\$ 1,673,200	\$ -
Real property tax items	101,602	101,602	97,105	(4,497)
Non-property taxes	498,000	498,000	525,221	27,221
Services and fees	137,300	137,300	143,076	5,776
Intergovernmental charges	188,802	188,802	192,879	4,077
Use of money and property	3,160	3,160	1,292	(1,868)
Fines and permits	112,200	112,200	136,501	24,301
Sale of property and compensation for loss	1,000	-	25,725	25,725
Miscellaneous local sources	99,943	99,943	104,972	5,029
Interfund revenues	45,000	45,000	44,925	(75)
State sources	138,518	138,518	123,867	(14,651)
<b>Total revenues</b>	<b>3,000,952</b>	<b>2,997,725</b>	<b>3,068,763</b>	<b>71,038</b>
<b>EXPENDITURES</b>				
General government	290,640	466,429	455,804	10,625
Public safety	776,206	745,392	719,392	26,000
Transportation	725,099	752,371	705,172	47,199
Economic assistance and opportunity	11,000	11,000	5,500	5,500
Culture and recreation	90,647	106,020	99,063	6,957
Home and community services	365,398	331,914	314,615	17,299
Employee benefits	472,350	452,455	421,663	30,792
Debt service:				
Principal	73,750	114,326	114,326	-
Interest	10,862	10,862	10,862	-
<b>Total expenditures</b>	<b>2,815,952</b>	<b>2,990,769</b>	<b>2,846,397</b>	<b>144,372</b>
Excess of revenues over expenditures	185,000	6,956	222,366	215,410
<b>OTHER FINANCING USES</b>				
Interfund transfer out	(185,000)	(150,000)	(150,000)	-
<b>Total other financing uses</b>	<b>(185,000)</b>	<b>(150,000)</b>	<b>(150,000)</b>	<b>-</b>
Net change in fund balance *	-	(143,044)	72,366	215,410
Fund balance - beginning	1,827,447	1,827,447	1,827,447	1,827,447
Fund balance - ending	<u>\$ 1,827,447</u>	<u>\$ 1,684,403</u>	<u>\$ 1,899,813</u>	<u>\$ 2,042,857</u>

\* The net change in fund balance is included in the budget as an appropriation (i.e. spenddown) of fund balance and re-appropriation of prior year encumbrances.

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**SCHEDULE OF THE VILLAGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -**  
**EMPLOYEES' AND POLICE AND FIRE RETIREMENT SYSTEMS**  
**FOR THE YEAR ENDED MAY 31, 2016**

	<u>ERS</u>	<u>PFRS</u>
Measurement date	March 31, 2016	March 31, 2016
Village's proportion of the net pension liability (asset)	0.0052294%	0.0015846%
Village's proportionate share of the net pension liability (asset)	\$ 839,329	\$ 46,917
Village's covered-employee payroll	\$ 1,738,843	\$ 97,960
Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	48%	48%
Plan fiduciary net position as a percentage of the total pension liability	90.7%	90.2%

**VILLAGE OF SPRINGVILLE NEW YORK**  
**SCHEDULE OF THE VILLAGE'S CONTRIBUTIONS -**  
**EMPLOYEES' AND POLICE AND FIRE RETIREMENT SYSTEMS**  
**FOR THE YEAR ENDED MAY 31,**

	<b>EMPLOYEES' RETIREMENT SYSTEM</b>									
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Contractually required contribution	\$ 150,779	\$ 148,150	\$ 97,738	\$ 105,657	\$ 154,873	\$ 216,743	\$ 269,947	\$ 293,499	\$ 292,968	\$ 223,678
Contributions in relation to the contractually required contribution	150,779	148,150	97,738	105,657	154,873	216,743	269,947	293,499	292,968	223,678
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered-employee payroll	\$ 1,432,092	\$ 1,494,477	\$ 1,475,892	\$ 1,515,941	\$ 1,517,856	\$ 1,688,096	\$ 1,626,433	\$ 1,593,666	\$ 1,697,821	\$ 1,738,843
Contributions as a percentage of covered-employee payroll	11%	10%	7%	7%	10%	13%	17%	18%	17%	13%

	<b>POLICE AND FIRE RETIREMENT SYSTEM</b>									
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Contractually required contribution	\$ 7,049	\$ 7,350	\$ 7,475	\$ 8,389	\$ 10,140	\$ 13,083	\$ 13,657	\$ 19,591	\$ 14,017	\$ 14,923
Contributions in relation to the contractually required contribution	7,049	7,350	7,475	8,389	10,140	13,083	13,657	19,591	14,017	14,923
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered-employee payroll	\$ 103,413	\$ 102,108	\$ 98,224	\$ 103,852	\$ 109,800	\$ 114,994	\$ 104,467	\$ 106,486	\$ 97,029	\$ 97,960
Contributions as a percentage of covered-employee payroll	7%	7%	8%	8%	9%	11%	13%	18%	14%	15%

**SECTION B**

**INTERNAL CONTROL AND COMPLIANCE**



**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**

**INDEPENDENT AUDITOR'S REPORT**

The Honorable Members of the Village Board  
Village of Springville, New York

We have audited, in accordance with the 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 governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Springville, New York (the 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, and have issued our report thereon dated November 1, 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 opinions 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 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 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 the 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 of 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.

*Freed Maxick CPAs, P.C.*

Batavia, New York  
November 1, 2016