

**AUDITED
BASIC FINANCIAL STATEMENTS**

VILLAGE OF SPRINGVILLE, NEW YORK

MAY 31, 2018

VILLAGE OF SPRINGVILLE, NEW YORK
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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, 2018, 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. 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 entity'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, 2018, 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 implemented Governmental Accounting Standards Board (GASB) Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68* and Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*.

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.

Freed Maxick CPAs, P.C.

Batavia, New York
October 9, 2018

VILLAGE OF SPRINGVILLE, NEW YORK
STATEMENT OF NET POSITION
MAY 31, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,061,215	\$ 494,617	\$ 2,555,832
Accounts receivable	60,360	802,955	863,315
Internal balances	17,285	(17,285)	-
State and federal receivables	15,000	25,951	40,951
Due from other governments	20,345	-	20,345
Inventory	-	274,604	274,604
Prepaid items	47,237	59,434	106,671
Cash and cash equivalents - restricted	8,911	30,503	39,414
Restricted investments - LOSAP	1,035,499	-	1,035,499
Capital assets not being depreciated	523,304	197,292	720,596
Capital assets, net of accumulated depreciation	<u>11,104,066</u>	<u>17,940,636</u>	<u>29,044,702</u>
 Total assets	 <u>14,893,222</u>	 <u>19,808,707</u>	 <u>34,701,929</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	<u>287,875</u>	<u>355,497</u>	<u>643,372</u>
 Total deferred outflows of resources	 <u>287,875</u>	 <u>355,497</u>	 <u>643,372</u>
LIABILITIES			
Accounts payable	45,059	22,463	67,522
Accrued liabilities	14,504	173,915	188,419
Accrued interest payable	32,756	53,884	86,640
Bond anticipation note payable	2,460,000	409,000	2,869,000
Customer deposits	-	58,782	58,782
Due to retirement system	18,320	24,335	42,655
Other liabilities	3,543	43,561	47,104
Noncurrent liabilities:			
Due and payable within one year	85,797	349,404	435,201
Due and payable after one year	<u>1,841,775</u>	<u>7,082,714</u>	<u>8,924,489</u>
 Total liabilities	 <u>4,501,754</u>	 <u>8,218,058</u>	 <u>12,719,812</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	<u>323,788</u>	<u>393,618</u>	<u>717,406</u>
 Total deferred inflows of resources	 <u>323,788</u>	 <u>393,618</u>	 <u>717,406</u>
NET POSITION			
Net investment in capital assets	9,044,583	10,499,472	19,544,055
Restricted for:			
Capital projects	271,857	128,503	400,360
LOSAP	1,044,410	-	1,044,410
Unrestricted (deficit)	<u>(5,295)</u>	<u>924,553</u>	<u>919,258</u>
 Total net position	 <u>\$ 10,355,555</u>	 <u>\$ 11,552,528</u>	 <u>\$ 21,908,083</u>

See notes to basic financial statements.

**VILLAGE OF SPRINGVILLE, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2018**

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
Primary government:						
Governmental activities						
General government	\$ 410,527	\$ 196,123	\$ 75,000	\$ (139,404)	\$ -	\$ (139,404)
Public safety	1,087,084	211,293	-	(875,791)	-	(875,791)
Transportation	1,115,459	-	57,931	(1,057,528)	-	(1,057,528)
Economic assistance	148,677	-	126,913	(21,764)	-	(21,764)
Culture and recreation	222,685	-	83,067	(139,618)	-	(139,618)
Home and community services	450,668	146,680	-	(303,988)	-	(303,988)
Interest on debt	43,373	-	-	(43,373)	-	(43,373)
Total governmental activities	3,478,473	554,096	342,911	(2,581,466)	-	(2,581,466)
Business-Type activities						
Electric	3,485,748	3,452,410	-	-	(33,338)	(33,338)
Sewer	819,900	808,589	-	-	(11,311)	(11,311)
Water	940,646	1,220,877	141,055	-	421,286	421,286
Total business-type activities	5,246,294	5,481,876	141,055	-	376,637	376,637
Total primary government	\$ 8,724,767	\$ 6,035,972	\$ 483,966	(2,581,466)	376,637	(2,204,829)
General revenues:						
Real property taxes				1,750,397	-	1,750,397
Real property tax items				114,108	-	114,108
Non-property taxes				551,059	-	551,059
Use of money and property				36,007	414	36,421
State aid not restricted for a specific purpose				100,343	-	100,343
Other miscellaneous revenues				189,366	-	189,366
Total general revenues				2,741,280	414	2,741,694
Change in net position				159,814	377,051	536,865
Net position - beginning, as restated (see Note 4)				10,195,741	11,175,477	21,371,218
Net position - ending				\$ 10,355,555	\$ 11,552,528	\$ 21,908,083

See notes to basic financial statements.

**VILLAGE OF SPRINGVILLE, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
MAY 31, 2018**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 2,061,215	\$ -	\$ 2,061,215
Accounts receivable	60,360	-	60,360
State and federal receivables	15,000	-	15,000
Due from other governments	20,345	-	20,345
Due from other funds	71,842	-	71,842
Prepaid items	47,237	-	47,237
Cash and cash equivalents - restricted	8,911	-	8,911
Restricted investments - annuity contracts	1,035,499	-	1,035,499
Total assets	<u>\$ 3,320,409</u>	<u>\$ -</u>	<u>\$ 3,320,409</u>
LIABILITIES			
Accounts payable	\$ 45,059	\$ -	\$ 45,059
Accrued liabilities	14,504	-	14,504
Bond anticipation notes payable	-	2,460,000	2,460,000
Due to retirement system	18,320	-	18,320
Due to other funds	-	54,557	54,557
Other liabilities	3,543	-	3,543
Total liabilities	<u>81,426</u>	<u>2,514,557</u>	<u>2,595,983</u>
FUND BALANCES (DEFICIT)			
Nonspendable	47,237	-	47,237
Restricted	1,316,267	-	1,316,267
Assigned	284,909	-	284,909
Unassigned (deficit)	1,590,570	(2,514,557)	(923,987)
Total fund balances (deficit)	<u>3,238,983</u>	<u>(2,514,557)</u>	<u>724,426</u>
Total liabilities and fund balances (deficit)	<u>\$ 3,320,409</u>	<u>\$ -</u>	

Amounts reported for governmental activities in the Statement of Net Position (page 3) 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.	11,627,370
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Serial bonds payable	(45,000)
Installment purchase debt	(77,787)
Compensated absences	(24,535)
Net pension liability - ERS and PFRS	(97,013)
Total pension liability - LOSAP	(1,683,237)
Accrued interest payable is not due and payable in the current period and and therefore is not reported in the funds.	(32,756)
Deferred outflows and inflows are not assets or liabilities of the current period and therefore are not reported in the funds.	
Deferred pension outflows - ERS and PFRS	275,925
Deferred pension inflows - ERS and PFRS	(288,636)
Deferred pension outflows - LOSAP	11,950
Deferred pension inflows - LOSAP	(35,152)
Net position of governmental activities	<u>\$ 10,355,555</u>

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, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES			
Real property taxes	\$ 1,750,397	\$ -	\$ 1,750,397
Real property tax items	114,108	-	114,108
Non-property taxes	551,059	-	551,059
Services and fees	144,306	-	144,306
Intergovernmental charges	210,892	-	210,892
Use of money and property	36,007	-	36,007
Fines and permits	194,515	-	194,515
Sale of property and compensation for loss	7,263	-	7,263
Miscellaneous local sources	105,872	37,630	143,502
Interfund revenues	44,501	-	44,501
State sources	158,274	284,980	443,254
Total revenues	<u>3,317,194</u>	<u>322,610</u>	<u>3,639,804</u>
EXPENDITURES			
Current:			
General government	291,635	-	291,635
Public safety	819,711	-	819,711
Transportation	594,001	-	594,001
Economic assistance and opportunity	28,125	-	28,125
Culture and recreation	154,058	-	154,058
Home and community services	362,171	-	362,171
Employee benefits	449,766	-	449,766
Debt service:			
Principal	427,273	-	427,273
Interest	60,979	-	60,979
Capital outlay:			
General government	-	177,012	177,012
Transportation	-	160,195	160,195
Economic assistance and opportunity	-	120,552	120,552
Culture and recreation	-	180,286	180,286
Total expenditures	<u>3,187,719</u>	<u>638,045</u>	<u>3,825,764</u>
OTHER FINANCING SOURCES (USES)			
BANs redeemed from appropriations	-	325,000	325,000
Interfund transfer in	-	129,264	129,264
Interfund transfer out	(129,264)	-	(129,264)
Total other financing sources (uses)	<u>(129,264)</u>	<u>454,264</u>	<u>325,000</u>
Net change in fund balances	211	138,829	139,040
Fund balances (deficit) - beginning, as restated (see Note 4)	<u>3,238,772</u>	<u>(2,653,386)</u>	<u>585,386</u>
Fund balances (deficit) - ending	<u>\$ 3,238,983</u>	<u>\$ (2,514,557)</u>	<u>\$ 724,426</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, 2018**

Amounts reported for governmental activities in the Statement of Activities (page 4) are different because:

Net change in fund balances - total governmental funds (page 6) \$ 139,040

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 (\$4,662,342) excluding construction work in progress placed in service (\$4,043,196) exceeded depreciation (\$616,244) in the current period. 2,902

The net effect of various miscellaneous transaction involving capital assets (i.e. sales, trades) is to decrease net position. (58,375)

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when paid. 17,606

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has an effect on net position. Additionally, in the Statement of Activities, certain operating expenses measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of the financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

Repayment of serial bonds	\$	65,000	
Repayment of installment purchase debt		37,273	
Change in compensated absences		(544)	
Change in LOSAP liability		(8,035)	
Change in net pension liability		126,575	220,269

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 to 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.

Change in deferred outflows and inflows - ERS and PFRS pensions	\$	(138,426)	
Change in deferred outflows and inflows - LOSAP pensions		(23,202)	(161,628)

Change in net position of governmental activities \$ 159,814

VILLAGE OF SPRINGVILLE, NEW YORK
STATEMENT OF NET POSITION – ENTERPRISE FUNDS
MAY 31, 2018

	<u>Electric</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 150	\$ 26,906	\$ 467,561	\$ 494,617
Accounts receivable (net of allowance for uncollectibles in the Electric Fund)	490,863	127,288	184,804	802,955
State and federal receivables	-	-	25,951	25,951
Inventory	274,604	-	-	274,604
Prepaid items	39,385	7,118	12,931	59,434
Cash and cash equivalents - restricted	-	-	30,503	30,503
Total current assets	<u>805,002</u>	<u>161,312</u>	<u>721,750</u>	<u>1,688,064</u>
Noncurrent assets:				
Capital assets not being depreciated	146,313	-	50,979	197,292
Capital assets, net	<u>5,893,620</u>	<u>5,112,464</u>	<u>6,934,552</u>	<u>17,940,636</u>
Total noncurrent assets	<u>6,039,933</u>	<u>5,112,464</u>	<u>6,985,531</u>	<u>18,137,928</u>
Total assets	<u>6,844,935</u>	<u>5,273,776</u>	<u>7,707,281</u>	<u>19,825,992</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	154,487	95,111	105,899	355,497
Total deferred outflows of resources	<u>154,487</u>	<u>95,111</u>	<u>105,899</u>	<u>355,497</u>
LIABILITIES				
Current liabilities:				
Accounts payable	11,880	6,709	3,874	22,463
Accrued liabilities	162,315	6,003	5,597	173,915
Accrued interest payable	22,650	2,059	29,175	53,884
Bond anticipation notes payable	184,000	-	225,000	409,000
Customer deposits	58,782	-	-	58,782
Due to retirement system	10,915	6,262	7,158	24,335
Due to other funds	17,285	-	-	17,285
Other liabilities	43,561	-	-	43,561
Compensated absences	1,950	1,355	1,694	4,999
Serial bonds payable	89,596	61,000	193,809	344,405
Total current liabilities	<u>602,934</u>	<u>83,388</u>	<u>466,307</u>	<u>1,152,629</u>
Noncurrent liabilities:				
Compensated absences	17,545	12,192	15,248	44,985
Serial bonds payable	1,687,942	2,575,000	2,652,612	6,915,554
Net pension liability - proportionate share	52,968	32,779	36,428	122,175
Total noncurrent liabilities	<u>1,758,455</u>	<u>2,619,971</u>	<u>2,704,288</u>	<u>7,082,714</u>
Total liabilities	<u>2,361,389</u>	<u>2,703,359</u>	<u>3,170,595</u>	<u>8,235,343</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	170,649	105,606	117,363	393,618
Total deferred inflows of resources	<u>170,649</u>	<u>105,606</u>	<u>117,363</u>	<u>393,618</u>
NET POSITION				
Net investment in capital assets	4,078,395	2,476,464	3,944,613	10,499,472
Restricted for capital projects	-	7,182	121,321	128,503
Unrestricted	388,989	76,276	459,288	924,553
Total net position	<u>\$ 4,467,384</u>	<u>\$ 2,559,922</u>	<u>\$ 4,525,222</u>	<u>\$ 11,552,528</u>

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, 2018

	<u>Electric</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 3,452,410	\$ 808,496	\$ 1,219,305	\$ 5,480,211
Other operating revenues	-	93	1,572	1,665
Total operating revenues	<u>3,452,410</u>	<u>808,589</u>	<u>1,220,877</u>	<u>5,481,876</u>
OPERATING EXPENSES				
Salaries, wages and employee benefits	488,120	311,074	329,485	1,128,679
Contractual expense	2,604,109	244,892	249,899	3,098,900
Depreciation	347,517	213,449	279,414	840,380
Total operating expenses	<u>3,439,746</u>	<u>769,415</u>	<u>858,798</u>	<u>5,067,959</u>
Operating income	<u>12,664</u>	<u>39,174</u>	<u>362,079</u>	<u>413,917</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	-	24	390	414
Federal grants	-	-	141,055	141,055
Interest expense	(46,002)	(50,485)	(81,848)	(178,335)
Total nonoperating revenues (expenses)	<u>(46,002)</u>	<u>(50,461)</u>	<u>59,597</u>	<u>(36,866)</u>
Gain (loss) before capital contributions to other funds	(33,338)	(11,287)	421,676	377,051
Capital contributions to other funds	<u>(54,961)</u>	<u>-</u>	<u>-</u>	<u>(54,961)</u>
Change in net position	(88,299)	(11,287)	421,676	322,090
Net position - beginning, as restated (see Note 4)	<u>4,555,683</u>	<u>2,571,209</u>	<u>4,103,546</u>	<u>11,230,438</u>
Net position - ending	<u>\$ 4,467,384</u>	<u>\$ 2,559,922</u>	<u>\$ 4,525,222</u>	<u>\$ 11,552,528</u>

See notes to basic financial statements.

**VILLAGE OF SPRINGVILLE, NEW YORK
STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS
FOR THE YEAR ENDED MAY 31, 2018**

	<u>Electric</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Cash received from customers	\$ 3,277,396	\$ 808,716	\$ 1,219,074	\$ 5,305,186
Cash payments for contractual expenses	(2,324,399)	(278,471)	(271,739)	(2,874,609)
Cash payments to employees for services	(482,676)	(304,310)	(325,279)	(1,112,265)
Other operating revenues	-	93	1,572	1,665
Net cash provided by operating activities	<u>470,321</u>	<u>226,028</u>	<u>623,628</u>	<u>1,319,977</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Interfund loans	17,285	(77,077)	-	(59,792)
Net cash provided (used) by noncapital financing activities	<u>17,285</u>	<u>(77,077)</u>	<u>-</u>	<u>(59,792)</u>
<u>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</u>				
Acquisition and construction of capital assets	(292,222)	(19,900)	(300,644)	(612,766)
Principal payments on debt	(145,911)	(59,000)	(317,000)	(521,911)
Interest paid on debt	(48,282)	(50,531)	(86,967)	(185,780)
Proceeds from capital grants	-	-	115,104	115,104
Contributed capital to other funds	(54,961)	-	-	(54,961)
Net cash used by capital and financing activities	<u>(541,376)</u>	<u>(129,431)</u>	<u>(589,507)</u>	<u>(1,260,314)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest on cash and investments	-	24	390	414
Net cash provided by investing activities	<u>-</u>	<u>24</u>	<u>390</u>	<u>414</u>
Net increase (decrease) in cash and cash equivalents	(53,770)	19,544	34,511	285
Cash and cash equivalents - beginning	<u>53,920</u>	<u>7,362</u>	<u>463,553</u>	<u>524,835</u>
Cash and cash equivalents - ending	<u>\$ 150</u>	<u>\$ 26,906</u>	<u>\$ 498,064</u>	<u>\$ 525,120</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 12,664	\$ 39,174	\$ 362,079	\$ 413,917
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	347,517	213,449	279,414	840,380
Pension expense	877	4,419	2,744	8,040
Change in estimate - CIP not placed in service	323,762	-	-	323,762
Change in assets and liabilities:				
Decrease (increase) in:				
Accounts receivable	(175,014)	220	(231)	(175,025)
Inventory	(32,012)	-	-	(32,012)
Prepaid items	(5,655)	(1,009)	(2,080)	(8,744)
Increase (decrease) in:				
Accounts payable	(17,096)	(32,570)	(19,760)	(69,426)
Accrued liabilities	10,416	1,719	2,915	15,050
Due to retirement system	501	(183)	(4)	314
Customer deposits	(2,196)	-	-	(2,196)
Other liabilities	1,467	-	-	1,467
Compensated absences	5,090	809	(1,449)	4,450
Net cash provided by operating activities	<u>\$ 470,321</u>	<u>\$ 226,028</u>	<u>\$ 623,628</u>	<u>\$ 1,319,977</u>
Reconciliation of unrestricted and restricted cash and cash equivalents:				
Cash and cash equivalents - unrestricted	\$ 150	\$ 26,906	\$ 467,561	\$ 494,617
Cash and cash equivalents - restricted	-	-	30,503	30,503
	<u>\$ 150</u>	<u>\$ 26,906</u>	<u>\$ 498,064</u>	<u>\$ 525,120</u>

See notes to basic financial statements.

VILLAGE OF SPRINGVILLE, NEW YORK
STATEMENT OF NET POSITION – AGENCY FUND
MAY 31, 2018

ASSETS

Cash \$ 3,619

LIABILITIES

Agency liabilities \$ 3,619

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. 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.

B. 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 while business-type activities incorporate data from the government's enterprise fund. 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.

2. FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, enterprise, and fiduciary. An emphasis is placed on major funds within the governmental and enterprise categories.

Governmental Funds:

Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is based upon determination of financial position and changes in financial position. The following are the Village's governmental fund types:

- a. General Fund - The General Fund is the general operating fund of the Village. The fund is used to account for all financial resources except for those required to be accounted for in a separate fund.
- b. Capital Projects Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by the Enterprise funds.

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

Enterprise Funds:

These funds are used to account for ongoing operations or activities, which are similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position and cash flows. The Village applies all applicable GASB pronouncements, as well as, Financial Accounting Standards Board's (FASB) Accounting Standards Codification unless these standards conflict with or contradict GASB pronouncements.

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

Other Fund Types:

Fiduciary Funds - are used to account for fiduciary activities. Fiduciary activities are those in which the Village acts as trustee or agent for resources that belong to others. These activities are not included in the government-wide financial statements because their resources do not belong to the Village and are not available for use.

Agency Fund – This fund is used to account for bid deposits, tax redemptions, joint liens and other assets and liabilities that are custodial in nature.

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.

C. 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.

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.

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

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 enterprise funds report 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.

D. 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.

Investments in the Length of Service Award Program (LOSAP) are administered by Hometown/RSA Consultants, recommended from the Service Award Program Committee. These assets are primarily invested in annuity contracts and cash deposits. The Village's LOSAP investments are reported at fair value. None of the Village's investments are subject to concentration of credit risk.

3. INVENTORY

Inventory is valued using average cost method for enterprise funds.

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.

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

5. RECEIVABLES

Receivables are carried at their net realizable value. Receivables are written-off as uncollectible after the likelihood of payment is considered remote by management. The allowance for uncollectible receivables has been established by management, using past history of uncollectible receivables. As of May 31, 2018, the provision for uncollectible accounts amounted to \$15,538 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.

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. Contributed fixed assets are recorded at fair value at the date received. 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 other than buildings	5,000	straight-line	10-20 years
Infrastructure	5,000	straight-line	15-50 years
Machinery 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 has not exceeded commercial insurance coverage for the past three fiscal years.

8. 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 reported in the government-wide Statement of Net Position. It 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 pensions not included in pension expense. Lastly, it includes Village contributions to the pensions subsequent to the measurement date. See details of deferred pension outflows in Note 3.D. and Note 3.E.

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

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. This represents the effect of the net change in the Village's proportion of the collective net pension liability and difference during the measurement periods between the Village's contributions and its proportional share of total contributions to the pensions not included in pension expense. See details of deferred pension inflows in Note 3.D. and Note 3.E.

9. 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.

10. 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 when an expenditure is incurred where there are both restricted and unrestricted (committed, assigned or unassigned) amounts are available, it is the Village's practice to consider restricted amounts to have been reduced first.

11. 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 Village Administrator 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.

The Village adopted a formal spending policy, under the provisions of GASB Statement No. 54, stating 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.

E. 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 15th and become a lien on June 1st. Taxes are collected during the period of June 1st through October 31st. 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. ENTERPRISE FUNDS - OPERATING AND NONOPERATING REVENUES AND EXPENSES

Enterprise 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 an enterprise 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 the 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.

4. COMPENSATED ABSENCES

The Village's labor agreements rules and regulations provide for vacation leave. These payments are budgeted annually. The compensated absences liability is calculated based on the contractually negotiated rates in effect at year-end.

Compensated absences for governmental fund type employees are reported as a fund liability and as an expenditure in the government-wide financial statements. The compensated absences liability for the Governmental and Enterprise Funds at the year-end totaled \$24,535 and \$49,984, respectively. A liability for those amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Payment of compensated absences recorded in the government-wide financial statements is dependent upon many factors; therefore timing of future payments are not readily determinable. However, management believes that sufficient resources will be made available for the payment of compensated absences when such payments become due.

F. 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 the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

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

G. ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended May 31, 2018, the Village adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*; Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*; Statement No. 81, *Split-Interest Agreements*; and Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, 68 and 73*.

The primary object of Statement No. 73 is to improve the usefulness of information about pensions included in the financial statements that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions.

The primary objective of Statement No. 80 is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

The primary objective of Statement No. 81 is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

The primary objective of Statement No. 82 is to address certain issues that have been raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans*, Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*.

The Village has implemented Statement No. 73 and Statement No. 82, which had a material impact on the financial statements in the current year. The Village also evaluated Statements No. 80, 81, and 82 and have determined that they have no impact on the Village's operations.

The GASB has issued the following new statements:

- Statement No. 83, *Certain Asset Retirement Obligations*, which will be effective for the year ending May 31, 2020;
- Statement No. 84, *Fiduciary Activities*, which will be effective for the year ending May 31, 2020;
- Statement No. 85, *Omnibus*, which will be effective for the year ending May 31, 2019;
- Statement No. 86, *Certain Debt Extinguishment Issues*, which will be effective for the year ending May 31, 2019;
- Statement No. 87, *Leases*, which will be effective for the year ending May 31, 2021;
- Statement No. 88, *Certain Disclosures Related to Debt, Including Direct borrowings and Direct Placements*, which will be effective for the year ending May 31, 2020;
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for the year ending May 31, 2021; and
- Statement No. 90, *Majority Equity Interest—an amendment to GASB Statements No. 14 and No. 61*, which will be effective for the year ending May 31, 2019.

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. DEFICIT FUND EQUITY

At May 31, 2018 the capital projects fund, a major fund, has a deficit fund balance of \$2,514,557. 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). 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 well as permanent transfers from the related operating fund.

B. LEGAL COMPLIANCE - BUDGETS

Budgets and Budgetary Accounting – The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. No later than March 31st, the Village Administrator submits a tentative budget to the Village Board for the fiscal year commencing the following June 1st. The tentative budget includes proposed expenditures and the proposed means of financing for all funds of the Village except for Capital Projects and Agency Funds.
- b. After public hearings are conducted to obtain taxpayer comments, no later than May 1st, the Village Board adopts the budget. Appropriations established by the budget constitute a limitation on expenditures which may be incurred.
- c. All modifications of the budget must be approved by the Village Board and appropriations lapse at fiscal year-end.

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 Treasurer 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, and obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations.

The Village's aggregate bank balances were fully collateralized at May 31, 2018.

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.

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

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.

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.
- Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations.

Restricted Investments – Annuity Contracts

The Village’s restricted investments consist of annuity contracts related to the Village’s Length of Service Award Program (LOSAP), a defined benefit volunteer firefighter award program (See Note 3.E). These annuities are guaranteed fixed annuities. The interest on each annuity varies but they are all fixed rate with a guaranteed minimum rate for a specific period. The cost and value of the contracts amounted to \$1,035,499 as of May 31, 2018. These contracts are subject to a surrender charge if the annuity is surrendered prior to the end of the contract. The surrender charge at May 31, 2018 amounted to \$16,743.

B. RECEIVABLES

Significant revenues accrued by the Village at May 31, 2018 include the following:

General Fund

Relevy receivable	\$ 32,329
Fines & forfeited bail receivable	18,286
Miscellaneous receivables	9,745
Total accounts receivable	<u>\$ 60,360</u>

Electric Fund

NYSEG receivable	\$ 114,901
Unbilled receivables	294,147
Miscellaneous receivables	97,353
Allowance for uncollectible accounts	(15,538)
Total accounts receivable	<u>\$ 490,863</u>

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

Water Fund

Water rents receivable	\$	83,624
Unbilled receivables		101,180
Total accounts receivable	\$	<u>184,804</u>

Sewer Fund

Sewer rents receivable	\$	60,257
Unbilled receivables		67,031
Total accounts receivable	\$	<u>127,288</u>

C. CAPITAL ASSETS

Capital asset activity for the year ended May 31, 2018, was as follows:

Governmental Activities:

	Balance 06/01/17	Increases	Decreases	Balance 05/31/18
<u>Capital assets not being depreciated:</u>				
Land	\$ 468,817	\$ -	\$ -	\$ 468,817
Construction work in progress	3,589,611	508,072	4,043,196	54,487
Total capital assets not being depreciated	<u>4,058,428</u>	<u>508,072</u>	<u>4,043,196</u>	<u>523,304</u>
<u>Capital assets being depreciated:</u>				
Buildings	2,095,584	1,955,413	-	4,050,997
Improvements other than buildings	355,433	2,087,783	-	2,443,216
Vehicles & equipment	3,176,800	111,074	99,184	3,188,690
Infrastructure	14,194,231	-	-	14,194,231
Total capital assets, being depreciated	<u>19,822,048</u>	<u>4,154,270</u>	<u>99,184</u>	<u>23,877,134</u>
<u>Less accumulated depreciation:</u>				
Buildings	1,671,833	90,583	-	1,762,416
Improvements other than buildings	167,480	136,735	-	304,215
Vehicles & equipment	2,308,869	125,014	40,809	2,393,074
Infrastructure	8,049,451	263,912	-	8,313,363
Total accumulated depreciation	<u>12,197,633</u>	<u>616,244</u>	<u>40,809</u>	<u>12,773,068</u>
Total capital assets being depreciated, net	<u>7,624,415</u>	<u>3,538,026</u>	<u>58,375</u>	<u>11,104,066</u>
Governmental activities capital assets, net	<u>\$ 11,682,843</u>	<u>\$ 4,046,098</u>	<u>\$ 4,101,571</u>	<u>\$ 11,627,370</u>

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

Governmental activities:

General government	\$	49,383
Public safety		54,973
Transportation		426,182
Culture and recreation		55,116
Home and community service		<u>30,590</u>
Total depreciation expense - governmental activities	\$	<u>616,244</u>

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

Business-Type Activities:

	Balance 06/01/17	Increases	Decreases	Balance 05/31/18
<u>Capital assets not being depreciated:</u>				
Land	\$ 117,302	\$ 899	\$ -	\$ 118,201
Construction work in progress	507,420	312,770	741,099	79,091
Total capital assets not being depreciated	<u>624,722</u>	<u>313,669</u>	<u>741,099</u>	<u>197,292</u>
<u>Capital assets being depreciated:</u>				
Buildings	5,178,104	4,972	-	5,183,076
Improvements other than buildings	13,132,821	407,379	28,481	13,511,719
Vehicles & equipment	594,341	96,846	-	691,187
Infrastructure	<u>27,766,541</u>	<u>247,398</u>	<u>-</u>	<u>28,013,939</u>
Total capital assets, being depreciated	<u>46,671,807</u>	<u>756,595</u>	<u>28,481</u>	<u>47,399,921</u>
<u>Less accumulated depreciation:</u>				
Buildings	3,239,015	95,322	-	3,334,337
Improvements other than buildings	7,348,896	389,577	34,378	7,704,095
Vehicles & equipment	334,137	48,706	-	382,843
Infrastructure	<u>17,685,177</u>	<u>352,833</u>	<u>-</u>	<u>18,038,010</u>
Total accumulated depreciation	<u>28,607,225</u>	<u>886,438</u>	<u>34,378</u>	<u>29,459,285</u>
Total capital assets being depreciated, net	<u>18,064,582</u>	<u>(129,843)</u>	<u>(5,897)</u>	<u>17,940,636</u>
Business-type activities capital assets, net	<u>\$ 18,689,304</u>	<u>\$ 183,826</u>	<u>\$ 735,202</u>	<u>\$ 18,137,928</u>

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) (the System)

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 benefit's provided, may be found at 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.

**VILLAGE OF SPRINGVILLE, NEW YORK
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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 31st.

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

At May 31, 2018, the Village reported the following liability for its proportionate share of the net pension liability to the System. The net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2017. 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. This information was provided by the ERS and PFRS System in reports provided to the Village.

	<u>ERS</u>	<u>PFRS</u>
Measurement date	March 31, 2018	March 31, 2018
Net pension liability	\$ 200,005	\$ 19,183
Village's portion of the Plan's total net pension liability	0.0061970%	0.0018979%
Change in proportion since the prior measurement date	0.0001178	0.0000003

For the year ended May 31, 2018, the Village recognized pension expense of \$270,320. At May 31, 2018 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	\$ 71,335	\$ 7,895	\$ 58,949	\$ 5,097
Change of assumptions	132,620	14,535	-	-
Net difference between projected and actual earnings on pension plan investments	290,491	15,526	573,400	31,269
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	47,682	8,683	12,020	1,519
Village's contributions subsequent to the measurement date	40,453	2,202	-	-
Total	<u>\$ 582,581</u>	<u>\$ 48,841</u>	<u>\$ 644,369</u>	<u>\$ 37,885</u>

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

Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended May 31, 2019. 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:		
2018	\$ 55,063	\$ 5,604
2019	40,052	5,166
2020	(135,007)	(2,375)
2021	(62,349)	(1,494)
2022	-	1,853
Thereafter	-	-

Actuarial Assumptions

The total pension liability as of the March 31, 2018 was determined by using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to March 31, 2018. 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

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. The actuarial assumptions used in the April 1, 2017 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, 2018 are summarized below:

<u>Asset Class:</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	36.0 %	4.6 %
International equity	14.0	6.4
Private equity	10.0	7.5
Real estate	10.0	5.6
Absolute return strategies	2.0	3.8
Opportunistic portfolio	3.0	5.7
Real assets	3.0	5.3
Bond and mortgages	17.0	1.3
Cash	1.0	(0.3)
Inflation-indexed bonds	4.0	1.3
Total	<u>100.0 %</u>	

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

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:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
<u>ERS</u>			
Village's proportionate share of the net pension liability/(asset)	\$ 1,513,288	\$ 200,005	\$ (910,981)
<u>PFRS</u>			
Village's proportionate share of the net pension liability/(asset)	\$ 93,963	\$ 19,183	\$ (43,540)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2018 were as follows:

	(Dollars in Thousands)		
	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
Employer' total pension liability	\$ 183,400,590	\$ 32,914,423	\$ 216,315,013
Plan net position	180,173,145	31,903,666	212,076,811
Employers' net pension liability	<u>\$ 3,227,445</u>	<u>\$ 1,010,757</u>	<u>\$ 4,238,202</u>
Ratio of plan net position to the employers' total pension liability	98.2%	96.9%	98.0%

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 31st. Accrued retirement contributions as of May 31, 2018 represent a two month portion of the projected employer contribution for the Plan year April 1, 2018 through March 31, 2019. Accrued retirement contributions as of May 31, 2018 amounted to \$40,453 and \$2,202 for ERS and PFRS, respectively.

E. LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

Defined Benefit Volunteer Firefighter Award Program

Plan Description

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.

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

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.

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 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 BPAs Actuarial and Pension Service, LLC. Portions of the following information are derived from a report prepared by the actuary dated May 31, 2018.

Participants Covered by the Benefit Terms

At May 31, 2018 measurement date, the following participants were covered by the benefit terms:

Inactive participants currently receiving benefit payments	26
Inactive participants entitled to but not yet receiving benefit payments	16
Active participants	33
Total	<u>75</u>

Contributions

New York State General Municipal Law §219(d) requires the Village Board to contribute an actuarially determined contribution on an annual basis. The actuarially determined contribution shall be appropriated annually by the Village Board.

Measurement of Total Pension Liability

The total pension liability at the May 31, 2018 measurement date was determined using an actuarial valuation as of January 1, 2018.

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

Actuarial Assumptions

The total pension liability in the May 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method:	Entry Age Normal
Inflation:	3.00%
Salary scale:	None assumed

Mortality rates were based on the RP-2000 Combined – Unisex Mortality Table.

Discount Rate

GASB 73 requires that the discount rate used be determined based on a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The discount rate used to measure the total pension liability was 3.57%. This was the yield to maturity of the Fidelity 20-Year General Obligation AA Bond Index as of May 31, 2018.

Changes in the Total Pension Liability

Balance as of 5/31/17 measurement date	\$ 1,675,202
Service cost	46,416
Interest	58,007
Changes of assumptions or other inputs	(35,152)
Changes due to differences in experience	11,950
Benefit payments	<u>(73,186)</u>
Net change	<u>8,035</u>
Total pension liability as of 5/31/18	<u>\$ 1,683,237</u>

Sensitivity of the Total Pension Liability to Changes in the Discount Rate

The following presents the total pension liability of the Village as of the May 31, 2018 measurement date, calculated using the discount rate of 3.57 percent, as well as what the Village's total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.57 percent) or 1 percentage point higher (4.57 percent) than the current rate:

	1% Decrease (2.57%)	Current Assumption (3.57%)	1% Increase (4.57%)
Total pension liability	\$ 1,897,000	\$ 1,683,237	\$ 1,505,000

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended May 31, 2018, the Village recognized pension expense of \$31,237. At May 31, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 11,950	\$ -
Change of assumptions of other inputs	-	35,152
Benefit payments & administrative expenses subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ 11,950</u>	<u>\$ 35,152</u>

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended:		
2019	\$	(2,789)
2020		(2,789)
2021		(2,789)
2022		(2,789)
2023		(2,789)
Thereafter		(9,257)

F. INSTALLMENT PURCHASE DEBT

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, 2018, were as follows:

	Governmental Activities
<u>Year ending May 31,</u>	
2019	\$ 40,576
2020	40,576
Total minimum lease payments	<u>81,152</u>
Less: amount representing interest	<u>(3,365)</u>
Present value of minimum lease payments	<u>\$ 77,787</u>

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 two funds and are therefore reported in the water and electric enterprise funds.

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, 2018:

	Original Issue	Interest Rate	Balance 06/01/17	Issued	Redemptions	Balance 05/31/18
Governmental Activities:						
Heritage Park project	2016	1.42%	\$ 345,000	\$ -	\$ 50,000	\$ 295,000
Streetscape project	2016	1.42%	640,000	-	200,000	440,000
Franklin renovations	2016	1.42%	1,800,000	-	75,000	1,725,000
			<u>\$ 2,785,000</u>	<u>\$ -</u>	<u>\$ 325,000</u>	<u>\$ 2,460,000</u>
Business-Type Activities:						
Water System Improvements	2016	1.42%	\$ 175,000	\$ -	\$ 50,000	\$ 125,000
Water System Improvements	2016	1.42%	150,000	-	50,000	100,000
Electric Vehicles	2016	1.42%	230,000	-	46,000	184,000
			<u>\$ 555,000</u>	<u>\$ -</u>	<u>\$ 146,000</u>	<u>\$ 409,000</u>

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

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, 2018 are as follows:

Issue Description	Original Issue Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding Balance 05/31/18
Governmental Activities					
<u>General Obligation Bonds</u>					
Public Improvement	2003	\$ 585,000	4.50%	2018	\$ <u>45,000</u>
Business-Type Activities					
<u>General Obligation Bonds</u>					
WWTP Projects - Sewer Refunding Public Improvement	2013	\$ 2,985,000	1.88%	2050	\$ 2,636,000
Serial Bonds - Electric Refunding Public Improvement	2016	1,717,000	2.00%	2034	1,672,000
Serial Bonds - Water	2016	1,545,000	2.00%	2044	1,503,000
Clean Water Revolving Fund - Water (refinanced)	2016	1,720,000	4.23%	2026	1,300,000
					\$ <u>7,111,000</u>

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.

CHANGES IN LONG-TERM LIABILITIES

Changes in the Village's long-term liabilities for the year ended May 31, 2018 are as follows:

	Balance 06/01/17	Additions	Reductions	Balance 05/31/18	Due Within One Year
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 110,000	\$ -	\$ 65,000	\$ 45,000	\$ 45,000
Installment purchase debt	115,060	-	37,273	77,787	38,343
Compensated absences	23,991	37,053	36,509	24,535	2,454
LOSAP liability *	1,675,202	8,035	-	1,683,237	-
Net pension liability **	223,588	-	126,575	97,013	-
Governmental activities long-term liabilities	\$ <u>2,147,841</u>	\$ <u>45,088</u>	\$ <u>265,357</u>	\$ <u>1,927,572</u>	\$ <u>85,797</u>

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

	Balance 06/01/17	Additions	Reductions	Balance 05/31/18	Due Within One Year
Business-Type Activities					
Bonds payable:					
General obligation bonds	\$ 7,470,000	\$ -	\$ 359,000	\$ 7,111,000	\$ 336,000
Unamortized premium	157,364	-	8,405	148,959	8,405
Total bonds payable	7,627,364	-	367,405	7,259,959	344,405
Loan payable - NYPA	10,315	-	10,315	-	-
Compensated absences	45,534	73,991	69,541	49,984	4,999
Net pension liability **	325,659	-	203,484	122,175	-
Business-type activities long-term liabilities	<u>\$ 8,008,872</u>	<u>\$ 73,991</u>	<u>\$ 650,745</u>	<u>\$ 7,432,118</u>	<u>\$ 349,404</u>

* Additions to the LOSAP liability are shown net of reductions.

** Reductions to the net pension liability are shown net of additions.

The debt service requirements for the Village's bonds is as follows:

Governmental Activities			Business-Type Activities		
Year ending May 31,	Bonds		Year ending May 31,	Bonds	
	Principal	Interest		Principal	Interest
2019	\$ <u>45,000</u>	\$ <u>2,025</u>	2019	\$ 336,000	\$ 171,307
			2020	342,000	164,851
			2021	353,000	157,604
			2022	364,000	148,963
			2023	370,000	140,598
			2024-2028	1,621,000	586,525
			2029-2033	1,289,000	390,369
			2034-2038	910,000	217,669
			2039-2043	802,000	117,441
			2044-2048	517,000	48,406
			2049-2050	207,000	5,755
			Total	<u>\$ 7,111,000</u>	<u>\$ 2,149,488</u>

COMPENSATED ABSENCES

As explained in Note 1, the Village records the value of governmental and enterprise type compensated absences. The annual budgets of the respective funds of which the employees' payroll is recorded provide funding for these benefits as they become payable throughout the year. Payments by the Village to liquidate compensated absences are typically from the funds in which the individuals are employed. These operating funds include General, Sewer, Water and Electric funds. Since the payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable. While the payments of compensated absences are dependent upon many factors, the Village has estimated that \$2,454 and \$4,999 for the governmental activities and business-type activities will be due within one year, respectively.

LOSAP PENSION LIABILITY

The Village reported a liability of \$1,683,237 in the governmental activities for the year ended May 31, 2018 for its total pension liability for the Length of Service Award Program (LOSAP) pension. Refer to Note 3.E for additional information related to the Village's total LOSAP pension liability. Investments and payments by the Village for contributions related to this pension are maintained/paid within the General Fund.

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

NET PENSION LIABILITY

The Village reported a liability of \$97,013 and \$122,175 for the governmental activities and business-type activities, respectively for the year ended May 31, 2018 for its proportionate share of the net pension liability for the Police and Fire Retirement System and the Employee Retirement System. Refer to Note 3.D for additional information related to the Village’s net pension liability. Payments by the Village for retirement contributions are typically from funds in which the individuals are employed. These operating funds include General, Sewer, Water, and Electric Funds.

I. NET POSITION AND FUND BALANCE

NET POSITION

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net investment in capital assets – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and debt used to fund capital asset purchases reduce the balance in this category. The following presents a reconciliation of capital assets (net of accumulated depreciation), to net investment in capital assets:

	Governmental Activities	Business-Type Activities
Capital assets, net of accumulated depreciation	\$ 11,627,370	\$ 18,137,928
Unspent debt proceeds	-	30,503
Bond anticipation notes payable	(2,460,000)	(409,000)
Bonds payable used for capital assets	(45,000)	(7,259,959)
Installment purchase debt	(77,787)	-
Net investment in capital assets	<u>\$ 9,044,583</u>	<u>\$ 10,499,472</u>

Restricted net position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Restricted net position of the governmental activities is consistent with restricted fund balance amounts of the governmental funds at May 31, 2018. Also, the restricted net position of the business-type activities is consistent with the restricted net position of the total enterprise funds.

Unrestricted net position – This category represents net position of the Village not restricted for any project or other purpose.

FUND BALANCE

In the governmental fund financial statements there are five classifications of fund balance:

Nonspendable – represents amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

- *Prepaid items* – represents amounts prepaid for miscellaneous items that are applicable to future accounting periods. This balance is nonspendable as the asset does not represent an available resource.

Restricted – represents amounts with constraints placed on the use of resources and are either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

- *Restricted for capital projects* – represents funds to be used for construction, reconstruction and/or acquisition of capital improvements and equipment.
- *Restricted for LOSAP* – represents funds to be used for the Volunteer Firefighter Service Award Program pension distributions.

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

Committed – represents amounts that are subject to a purpose constraint imposed by a formal action of the Village’s highest level of decision-making authority. As of May 31, 2018, the Village had no committed fund balances.

Assigned – represents amounts that are constrained by the Village’s intent to be used for the specified purposes noted below, but are neither restricted nor committed.

- *Subsequent years’ expenditures* – represents available fund balance being appropriated to meet expenditure requirements in the 2019 fiscal year.
- *Encumbrances* – represent amounts related to unperformed contracts for goods and services.

Unassigned – represents all amounts not included in other spendable classifications. The General fund is the only fund that would report a positive amount in unassigned fund balance. Residual deficit amounts of other governmental funds would also be reported as unassigned.

DETAIL OF FUND BALANCES

As of May 31, 2018, governmental fund balances were classified as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
<u>Nonspendable:</u>			
Prepaid items	\$ 47,237	\$ -	\$ 47,237
<u>Restricted:</u>			
Capital projects	271,857	-	271,857
LOSAP	1,044,410	-	1,044,410
<u>Assigned:</u>			
<u>Encumbrances:</u>			
General government	2,339	-	2,339
Public safety	20,573	-	20,573
Transportation	17,622	-	17,622
Economic assistance and opportunity	9,375	-	9,375
Subsequent year's expenditures	235,000	-	235,000
<u>Unassigned (deficit):</u>			
General Fund	1,590,570	-	1,590,570
Capital Projects Fund (deficit)	-	(2,514,557)	(2,514,557)
Total	<u>\$ 3,238,983</u>	<u>\$ (2,514,557)</u>	<u>\$ 724,426</u>

J. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of May 31, 2018 is as follows:

Due from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Projects	\$ 54,557
General	Electric	17,285
	Total	<u>\$ 71,842</u>

The outstanding balances between funds result from negative cash balances in the Electric and Capital Projects Funds.

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

K. INTERFUND TRANSFERS

The composition of interfund transfers as of May 31, 2018 is as follows:

	<u>Transfer in:</u>
	<u>Capital Projects</u>
<u>Transfer out:</u>	
General	\$ <u>129,264</u>

During the year, interfund transfers were used to fund ongoing capital projects.

L. CONTINGENCIES

Grants – In the normal course of operations, the Village receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting authority. Any disallowed expenditures resulting from such audits could become a liability of the governmental or enterprise funds. While the amount of any expenditures which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

Litigation – The Village is also involved in litigation arising in the ordinary course of its operations. The Village believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the Village’s financial condition or results of operations.

M. TAX ABATEMENTS

The Village has eight real property tax abatement agreements with various local business and all of the agreements are through the Concord IDA. All are based on Section 874 of the New York General Municipal Law and Section 412-a of the New York Real Property Tax Law.

Generally, these agreements provide for a 100 percent abatement of real property taxes in exchange for a payment in lieu of taxes (PILOT) based on the requirements noted in said individual agreements. Should the property owner not comply with the policies and laws as set forth in each agreement, the PILOT will discontinue as outlined in each agreement.

As a result of these tax abatement agreements, for the year ended May 31, 2018, the Village’s total tax revenues were reduced by \$6,363.

Copies of the agreements may be obtained from the Village of Springville Clerk’s Office, located at 5 W. Main St PO Box 17, Springville, NY 14141.

N. COMMITMENTS

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 expended in the next year) are re-appropriated and become part of the subsequent year’s budget pursuant to state regulations.

The Village considers encumbrances to be significant for amounts that are encumbered in excess of \$50,000. As of May 31, 2018, there were no significant encumbrances. The Village recorded encumbrances of \$49,909 in the General Fund.

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

NOTE 4 – CHANGE IN ACCOUNTING PRINCIPLE

Fund Balance

For the fiscal year ended May 31, 2018, the Village implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68*. The implementation of Statement No. 73 resulted in the Village restating fund balance in the General Fund for LOSAP asset activity. Previously, the LOSAP assets were reported in the Agency fund. The General Fund’s fund balance has been restated as follows:

	<u>General</u>
Fund balance - beginning, as previously stated	\$ 2,227,020
GASB Statement No. 73 implementation:	
Beginning LOSAP assets	1,011,752
Fund balance - beginning, as restated	<u>\$ 3,238,772</u>

Net Position

For the fiscal year ended May 31, 2018, the Village implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68*. The implementation of Statement No. 73 resulted in the Village reporting a deferred outflow of resources, a deferred inflow of resources and a LOSAP pension liability related to the Village’s participation in a LOSAP plan, as described in Note 3.E. This implementation and the fund balance adjustment noted above resulted in a restatement of net position in the Governmental Activities for the Village as noted below.

Governmental Activities

Net position - beginning, as previously stated	\$ 10,859,190
GASB Statement No. 73 implementation:	
Beginning LOSAP assets	1,011,753
Beginning total LOSAP liability	(1,675,202)
Net position - beginning, as restated	<u>\$ 10,195,741</u>

NOTE 5 - SUBSEQUENT EVENT

On June 21, 2018, the Village issued a bond anticipation note in the amount of \$4,040,000 for the purpose of funding various ongoing capital projects.

Management has evaluated subsequent events through October 9, 2018 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 paragraph above.

VILLAGE OF SPRINGVILLE, NEW YORK
SCHEDULE OF THE VILLAGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
EMPLOYEES' RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM
LAST FIVE FISCAL YEARS*

	<u>Year ended May 31,</u>				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>EMPLOYEES' RETIREMENT SYSTEM</u>					
Measurement date	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Village's proportion of the net pension liability	0.0055538%	0.0055538%	0.0052294%	0.0055866%	0.0061970%
Village's proportionate share of the net pension liability	\$ <u>250,969</u>	<u>187,621</u>	\$ <u>839,329</u>	\$ <u>524,932</u>	\$ <u>200,005</u>
Village's covered payroll	\$ 1,663,698	1,446,385	\$ 1,616,736	\$ 1,694,725	\$ 1,817,008
Village's proportionate share of the net pension liability as a percentage of its covered payroll	15.1%	13.0%	51.9%	31.0%	11.0%
Plan fiduciary net position as a percentage of the total pension liability	97.2%	97.9%	90.7%	94.7%	98.2%
<u>POLICE AND FIRE RETIREMENT SYSTEM</u>					
Measurement date	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Village's proportion of the net pension liability	0.0016344%	0.0016344%	0.0015846%	0.0011731%	0.0018979%
Village's proportionate share of the net pension liability	\$ <u>6,804</u>	<u>4,499</u>	\$ <u>46,917</u>	\$ <u>24,315</u>	\$ <u>19,183</u>
Village's covered payroll	\$ 79,122	79,569	\$ 69,947	\$ 74,276	\$ 88,145
Village's proportionate share of the net pension liability as a percentage of its covered payroll	8.6%	5.7%	67.1%	32.7%	21.8%
Plan fiduciary net position as a percentage of the total pension liability	100.7%	111.5%	90.2%	93.5%	96.9%

* Pension schedules in the Required Supplementary Information are intended to show information for ten years, additional years' information will be displayed as it becomes available.

The notes to the required supplementary information are an integral part of this schedule.

**VILLAGE OF SPRINGVILLE, NEW YORK
SCHEDULE OF THE VILLAGE'S PENSION CONTRIBUTIONS -
EMPLOYEES' AND POLICE AND FIRE RETIREMENT SYSTEMS
LAST TEN FISCAL YEARS**

	YEAR ENDED MAY 31,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>EMPLOYEES' RETIREMENT SYSTEM</u>										
Contractually required contribution	\$ 97,738	\$ 105,657	\$ 154,873	\$ 216,743	\$ 269,947	\$ 293,499	\$ 292,968	\$ 223,678	\$ 233,744	\$ 237,069
Contributions in relation to the contractually required contribution	<u>97,738</u>	<u>105,657</u>	<u>154,873</u>	<u>216,743</u>	<u>269,947</u>	<u>293,499</u>	<u>292,968</u>	<u>223,678</u>	<u>233,744</u>	<u>237,069</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village's covered payroll	\$ 1,475,892	\$ 1,515,941	\$ 1,517,856	\$ 1,688,096	\$ 1,626,433	\$ 1,593,666	\$ 1,571,278	\$ 1,592,895	\$ 1,738,900	\$ 1,841,374
Contributions as a percentage of covered payroll	6.6%	7.0%	10.2%	12.8%	16.6%	18.4%	18.6%	14.0%	13.4%	12.9%
<u>POLICE AND FIRE RETIREMENT SYSTEM</u>										
Contractually required contribution	\$ 7,475	\$ 8,389	\$ 10,140	\$ 13,083	\$ 13,657	\$ 19,591	\$ 14,017	\$ 14,923	\$ 12,900	\$ 13,360
Contributions in relation to the contractually required contribution	<u>7,475</u>	<u>8,389</u>	<u>10,140</u>	<u>13,083</u>	<u>13,657</u>	<u>19,591</u>	<u>14,017</u>	<u>14,923</u>	<u>12,900</u>	<u>13,360</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village's covered payroll	\$ 98,224	\$ 103,852	\$ 109,800	\$ 114,994	\$ 104,467	\$ 106,486	\$ 53,737	\$ 52,340	\$ 73,282	\$ 125,271
Contributions as a percentage of covered payroll	7.6%	8.1%	9.2%	11.4%	13.1%	18.4%	26.1%	28.5%	17.6%	10.7%

The notes to the required supplementary information are an integral part of this schedule.

**VILLAGE OF SPRINGVILLE, NEW YORK
SCHEDULE OF CHANGES IN THE VILLAGE'S TOTAL PENSION LIABILITY -
VOLUNTEER FIREFIGHTER LOSAP
LAST ONE FISCAL YEAR***

	<u>Year Ended May 31,</u>
Measurement Date	May 31, 2018
Total Pension Liability	
Service Cost	\$ 46,416
Interest	58,007
Changes of assumptions or other inputs	(35,152)
Differences between expected and actual experience	11,950
Benefit payments	<u>(73,186)</u>
Net change in total pension liability	8,035
Total pension liability - beginning	<u>1,675,202</u>
Total pension liability - ending	<u>\$ 1,683,237</u>
Covered payroll	Not applicable
Total pension liability as a percentage of covered payroll	Not applicable

* This Schedule is intended to show information for ten years. Additional years will be included as they become available.

The notes to the required supplementary information are an integral part of this schedule.

**VILLAGE OF SPRINGVILLE, NEW YORK
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2018**

	General Fund			Variance from Final Budget
	Original Budget	Final Budget	Actual	
REVENUES				
Real property taxes	\$ 1,732,756	\$ 1,732,756	\$ 1,750,397	\$ 17,641
Real property tax items	136,081	136,081	114,108	(21,973)
Non-property taxes	526,650	526,250	551,059	24,809
Services and fees	214,982	214,982	144,306	(70,676)
Intergovernmental charges	136,809	136,809	210,892	74,083
Use of money and property	1,150	1,150	36,007	34,857
Fines and permits	130,150	130,150	194,515	64,365
Sale of property and compensation for loss	500	6,865	7,263	398
Miscellaneous local sources	102,661	102,661	105,872	3,211
Interfund revenues	45,000	45,000	44,501	(499)
State sources	142,298	163,798	158,274	(5,524)
Total revenues	<u>3,169,037</u>	<u>3,196,502</u>	<u>3,317,194</u>	<u>120,692</u>
EXPENDITURES				
General government	286,656	295,980	291,635	4,345
Public safety	825,545	843,983	819,711	24,272
Transportation	849,500	614,476	594,001	20,475
Economic assistance and opportunity	-	37,500	28,125	9,375
Culture and recreation	123,800	154,361	154,058	303
Home and community services	366,679	400,544	362,171	38,373
Employee benefits	457,522	454,898	449,766	5,132
Debt service:				
Principal	427,274	427,274	427,273	1
Interest	56,662	60,980	60,979	1
Total expenditures	<u>3,393,638</u>	<u>3,289,996</u>	<u>3,187,719</u>	<u>102,277</u>
Excess (deficit) of revenues over expenditures	(224,601)	(93,494)	129,475	222,969
OTHER FINANCING SOURCES (USES)				
Interfund transfer in	35,000	35,000	-	126,587
Interfund transfer out	(35,000)	(131,506)	(129,264)	(25,000)
Total other financing sources (uses)	<u>-</u>	<u>(96,506)</u>	<u>(129,264)</u>	<u>101,587</u>
Net change in fund balance *	(224,601)	(190,000)	211	324,556
Fund balance - beginning	<u>3,238,772</u>	<u>3,238,772</u>	<u>3,238,772</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,014,171</u>	<u>\$ 3,048,772</u>	<u>\$ 3,238,983</u>	<u>\$ 324,556</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.

The notes to the required supplementary information are an integral part of this schedule.

**VILLAGE OF SPRINGVILLE, NEW YORK
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

NOTE 1 - BUDGETARY INFORMATION

BUDGETARY BASIS OF ACCOUNTING

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. The Capital Projects Fund is appropriated on a project-length basis. Other special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year. The Water, Sewer, and Electric Enterprise Funds have a budget that is utilized for cost control purposes.

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 Village Board. The legal level of budgetary control (e.g., the level at which expenditures may not legally exceed appropriations) is the department level.

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.

NOTE 2 - FACTORS AFFECTING TRENDS IN RETIREMENT SYSTEM PENSIONS

The Village's proportionate share of the net pension liability of the pension system is significantly dependent on the performance of the stock market and the funds that the retirement system invests in. In addition to this performance variable, the discount factor has varied from 7.5% to 7.0% over the past four years.

NOTE 3 - VOLUNTEER FIREFIGHTER SERVICE AWARD PROGRAM (LOSAP)

Although assets have been accumulated in an irrevocable trust, as reported in the Balance Sheet of the General Fund, such assets are dedicated to providing pensions to plan members in accordance with benefit terms, the trust assets are not legally protected from creditors of the Village. As such, the trust assets do not meet the criteria in paragraph 4 of GASB Statement No. 73.

Changes of Assumptions or Other Inputs

The discount rate used to measure the total pension liability was based on the Fidelity 20-Year GO AA Bond Index. The following were the assumptions or other inputs used.

	Year Ended May 31,	
	2017	2018
Discount rate	3.54%	3.57%
Inflation rate	1.75%	3.00%

Trust Assets

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73 to pay related benefits.