

**AUDITED  
BASIC FINANCIAL STATEMENTS**

# **VILLAGE OF SPRINGVILLE, NEW YORK**

---

**MAY 31, 2019**

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**VILLAGE OF SPRINGVILLE, NEW YORK**  
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## **FINANCIAL SECTION**

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## 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, 2019, 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 Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of May 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the 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  
September 25, 2019



**VILLAGE OF SPRINGVILLE, NEW YORK**  
**STATEMENT OF NET POSITION**  
**MAY 31, 2019**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,101,764	\$ 1,248,064	\$ 3,349,828
Accounts receivable	57,538	595,452	652,990
State and federal receivables	30,166	-	30,166
Due from other governments	14,713	-	14,713
Inventory	-	277,703	277,703
Prepaid items	22,781	44,869	67,650
Cash and cash equivalents - restricted	34,023	821,767	855,790
Restricted investments - LOSAP	1,048,214	-	1,048,214
Capital assets not being depreciated	583,738	990,006	1,573,744
Capital assets, net of accumulated depreciation	<u>10,574,900</u>	<u>17,561,634</u>	<u>28,136,534</u>
Total assets	<u>14,467,837</u>	<u>21,539,495</u>	<u>36,007,332</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension outflows	<u>304,713</u>	<u>179,109</u>	<u>483,822</u>
Total deferred outflows of resources	<u>304,713</u>	<u>179,109</u>	<u>483,822</u>
<b>LIABILITIES</b>			
Accrued liabilities	18,140	159,543	177,683
Accrued interest payable	55,528	92,849	148,377
Bond anticipation notes payable	2,200,000	1,840,000	4,040,000
Customer deposits	-	59,202	59,202
Due to retirement system	20,017	25,701	45,718
Other liabilities	-	40,195	40,195
Noncurrent liabilities:			
Due and payable within one year	42,220	355,875	398,095
Due and payable after one year	<u>2,118,753</u>	<u>6,894,911</u>	<u>9,013,664</u>
Total liabilities	<u>4,454,658</u>	<u>9,468,276</u>	<u>13,922,934</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension inflows	<u>77,772</u>	<u>97,859</u>	<u>175,631</u>
Total deferred inflows of resources	<u>77,772</u>	<u>97,859</u>	<u>175,631</u>
<b>NET POSITION</b>			
Net investment in capital assets	8,925,871	10,617,853	19,543,724
Restricted for:			
Capital projects	308,227	148,425	456,652
LOSAP	1,075,560	-	1,075,560
Unrestricted (deficit)	<u>(69,538)</u>	<u>1,386,191</u>	<u>1,316,653</u>
Total net position	<u>\$ 10,240,120</u>	<u>\$ 12,152,469</u>	<u>\$ 22,392,589</u>

See notes to basic financial statements.

**VILLAGE OF SPRINGVILLE, NEW YORK  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MAY 31, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
<b>Governmental activities</b>							
General government	\$ 518,134	\$ 223,467	\$ -	\$ -	\$ (294,667)	\$ -	\$ (294,667)
Public safety	1,127,831	218,490	-	-	(909,341)	-	(909,341)
Transportation	1,231,074	-	-	183,106	(1,047,968)	-	(1,047,968)
Economic assistance	10,075	-	-	-	(10,075)	-	(10,075)
Culture and recreation	204,880	-	-	-	(204,880)	-	(204,880)
Home and community services	497,551	149,862	2,200	-	(345,489)	-	(345,489)
Interest on debt	61,864	-	-	-	(61,864)	-	(61,864)
Total governmental activities	<u>3,651,409</u>	<u>591,819</u>	<u>2,200</u>	<u>183,106</u>	<u>(2,874,284)</u>	<u>-</u>	<u>(2,874,284)</u>
<b>Business-Type activities</b>							
Electric	3,074,763	3,353,169	-	15,369	-	293,775	293,775
Sewer	971,446	812,291	-	-	-	(159,155)	(159,155)
Water	1,005,276	1,206,529	-	-	-	201,253	201,253
Total business-type activities	<u>5,051,485</u>	<u>5,371,989</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>335,873</u>	<u>335,873</u>
Total primary government	<u>\$ 8,702,894</u>	<u>\$ 5,963,808</u>	<u>\$ 2,200</u>	<u>\$ 183,106</u>	<u>(2,874,284)</u>	<u>335,873</u>	<u>(2,538,411)</u>
General revenues:							
					1,768,912	-	1,768,912
					100,027	-	100,027
					576,351	-	576,351
					49,324	4,438	53,762
					82,871	-	82,871
					181,364	259,630	440,994
					<u>2,758,849</u>	<u>264,068</u>	<u>3,022,917</u>
					(115,435)	599,941	484,506
					<u>10,355,555</u>	<u>11,552,528</u>	<u>21,908,083</u>
					<u>\$ 10,240,120</u>	<u>\$ 12,152,469</u>	<u>\$ 22,392,589</u>

See notes to basic financial statements.

**VILLAGE OF SPRINGVILLE, NEW YORK  
BALANCE SHEET - GOVERNMENTAL FUNDS  
MAY 31, 2019**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,101,764	\$ -	\$ 2,101,764
Accounts receivable	57,538	-	57,538
Due from other funds	20,189	-	20,189
Due from state and federal	30,166	-	30,166
Due from other governments	14,713	-	14,713
Prepaid items	22,781	-	22,781
Cash and cash equivalents - restricted	27,346	6,677	34,023
Restricted investments - annuity contracts	1,048,214	-	1,048,214
Total assets	<u>\$ 3,322,711</u>	<u>\$ 6,677</u>	<u>\$ 3,329,388</u>
<b>LIABILITIES</b>			
Accrued liabilities	\$ 18,140	\$ -	\$ 18,140
Bond anticipation notes payable	-	2,200,000	2,200,000
Due to other funds	-	20,189	20,189
Due to retirement system	20,017	-	20,017
Total liabilities	<u>38,157</u>	<u>2,220,189</u>	<u>2,258,346</u>
<b>FUND BALANCES (DEFICIT)</b>			
Nonspendable	22,781	-	22,781
Restricted	1,383,787	-	1,383,787
Assigned	262,547	-	262,547
Unassigned (deficit)	1,615,439	(2,213,512)	(598,073)
Total fund balances (deficit)	<u>3,284,554</u>	<u>(2,213,512)</u>	<u>1,071,042</u>
Total liabilities and fund balances (deficit)	<u>\$ 3,322,711</u>	<u>\$ 6,677</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 11,158,638

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Installment purchase debt (39,444)  
Compensated absences (27,764)  
Net pension liability - ERS and PFRS (222,736)  
Total pension liability - LOSAP (1,871,029)

Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds (55,528)

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 155,073  
Deferred pension inflows - ERS and PFRS (77,772)  
Deferred pension outflows - LOSAP 149,640

Net position of governmental activities \$ 10,240,120

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, 2019**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Real property taxes	\$ 1,768,912	\$ -	\$ 1,768,912
Real property tax items	100,027	-	100,027
Non-property taxes	576,351	-	576,351
Services and fees	151,990	-	151,990
Intergovernmental charges	218,404	-	218,404
Use of money and property	49,324	-	49,324
Fines and permits	221,425	-	221,425
Sale of property and compensation for loss	11,588	-	11,588
Miscellaneous local sources	108,229	14,190	122,419
Interfund revenues	44,737	-	44,737
State sources	192,923	-	192,923
Federal sources	-	75,254	75,254
Total revenues	<u>3,443,910</u>	<u>89,444</u>	<u>3,533,354</u>
<b>EXPENDITURES</b>			
Current:			
General government	366,887	-	366,887
Public safety	861,425	-	861,425
Transportation	744,606	-	744,606
Economic assistance and opportunity	10,075	-	10,075
Culture and recreation	124,843	-	124,843
Home and community services	403,088	-	403,088
Employee benefits	485,502	-	485,502
Debt service:			
Principal	343,343	-	343,343
Interest	39,092	-	39,092
Capital outlay:			
General government	-	4,439	4,439
Transportation	-	63,438	63,438
Total expenditures	<u>3,378,861</u>	<u>67,877</u>	<u>3,446,738</u>
Excess of revenues over expenditures	65,049	21,567	86,616
<b>OTHER FINANCING SOURCES (USES)</b>			
BANs redeemed from appropriations	-	260,000	260,000
Interfund transfer in	-	19,478	19,478
Interfund transfer out	(19,478)	-	(19,478)
Total other financing sources (uses)	<u>(19,478)</u>	<u>279,478</u>	<u>260,000</u>
Net change in fund balances	45,571	301,045	346,616
Fund balances (deficit) - beginning	<u>3,238,983</u>	<u>(2,514,557)</u>	<u>724,426</u>
Fund balances (deficit) - ending	<u>\$ 3,284,554</u>	<u>\$ (2,213,512)</u>	<u>\$ 1,071,042</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, 2019**

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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)	\$	346,616	
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 depreciation (\$652,581) exceeded capital outlays (\$270,937) in the current period.			(381,644)
The net effect of various miscellaneous transaction involving capital assets (i.e. sales, trades) is to decrease net position.			(87,088)
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when paid.			(22,772)
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 are 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	\$	45,000	
Repayment of installment purchase debt		38,343	
Change in compensated absences		(3,229)	
Change in total LOSAP liability		(187,792)	
Change in net pension liability - proportionate share		<u>(125,723)</u>	(233,401)
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	\$	90,012	
Change in deferred outflows and inflows - LOSAP pensions		<u>172,842</u>	<u>262,854</u>
Change in net position of governmental activities	\$		<u><u>(115,435)</u></u>

**VILLAGE OF SPRINGVILLE, NEW YORK**  
**STATEMENT OF NET POSITION – ENTERPRISE FUNDS**  
**MAY 31, 2019**

	<u>Electric</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 237,424	\$ 299,886	\$ 710,754	\$ 1,248,064
Accounts receivable (net of allowance for uncollectibles in the Electric Fund)	296,835	126,524	172,093	595,452
Inventory	277,703	-	-	277,703
Prepaid items	31,429	4,875	8,565	44,869
Cash and cash equivalents - restricted	-	793,899	27,868	821,767
Total current assets	<u>843,391</u>	<u>1,225,184</u>	<u>919,280</u>	<u>2,987,855</u>
Noncurrent assets:				
Capital assets not being depreciated	241,368	697,659	50,979	990,006
Capital assets, net	<u>5,892,254</u>	<u>4,998,410</u>	<u>6,670,970</u>	<u>17,561,634</u>
Total noncurrent assets	<u>6,133,622</u>	<u>5,696,069</u>	<u>6,721,949</u>	<u>18,551,640</u>
Total assets	<u>6,977,013</u>	<u>6,921,253</u>	<u>7,641,229</u>	<u>21,539,495</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension outflows	<u>79,469</u>	<u>46,663</u>	<u>52,977</u>	<u>179,109</u>
Total deferred outflows of resources	<u>79,469</u>	<u>46,663</u>	<u>52,977</u>	<u>179,109</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accrued liabilities	147,742	6,618	5,183	159,543
Accrued interest payable	22,977	41,243	28,629	92,849
Bond anticipation notes payable	140,000	1,565,000	135,000	1,840,000
Customer deposits	59,202	-	-	59,202
Due to retirement system	11,403	6,696	7,602	25,701
Other liabilities	40,195	-	-	40,195
Compensated absences	1,797	1,431	2,242	5,470
Serial bonds payable	<u>92,596</u>	<u>62,000</u>	<u>195,809</u>	<u>350,405</u>
Total current liabilities	<u>515,912</u>	<u>1,682,988</u>	<u>374,465</u>	<u>2,573,365</u>
Noncurrent liabilities:				
Compensated absences	16,177	12,881	20,175	49,233
Serial bonds payable	1,595,346	2,513,000	2,456,803	6,565,149
Net pension liability - proportionate share	<u>124,469</u>	<u>73,085</u>	<u>82,975</u>	<u>280,529</u>
Total noncurrent liabilities	<u>1,735,992</u>	<u>2,598,966</u>	<u>2,559,953</u>	<u>6,894,911</u>
Total liabilities	<u>2,251,904</u>	<u>4,281,954</u>	<u>2,934,418</u>	<u>9,468,276</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension inflows	<u>43,419</u>	<u>25,495</u>	<u>28,945</u>	<u>97,859</u>
Total deferred inflows of resources	<u>43,419</u>	<u>25,495</u>	<u>28,945</u>	<u>97,859</u>
<b>NET POSITION</b>				
Net investment in capital assets	4,305,680	2,349,968	3,962,205	10,617,853
Restricted for capital projects	-	26,587	121,838	148,425
Unrestricted	<u>455,479</u>	<u>283,912</u>	<u>646,800</u>	<u>1,386,191</u>
Total net position	<u>\$ 4,761,159</u>	<u>\$ 2,660,467</u>	<u>\$ 4,730,843</u>	<u>\$ 12,152,469</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, 2019**

	<u>Electric</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 3,353,169	\$ 812,271	\$ 1,204,094	\$ 5,369,534
Other operating revenues	<u>-</u>	<u>20</u>	<u>2,435</u>	<u>2,455</u>
Total operating revenues	<u>3,353,169</u>	<u>812,291</u>	<u>1,206,529</u>	<u>5,371,989</u>
<b>OPERATING EXPENSES</b>				
Salaries, wages and employee benefits	541,509	344,413	347,309	1,233,231
Contractual expense	2,144,329	312,613	294,324	2,751,266
Depreciation	<u>344,828</u>	<u>217,887</u>	<u>287,261</u>	<u>849,976</u>
Total operating expenses	<u>3,030,666</u>	<u>874,913</u>	<u>928,894</u>	<u>4,834,473</u>
Operating income (loss)	<u>322,503</u>	<u>(62,622)</u>	<u>277,635</u>	<u>537,516</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	-	941	3,497	4,438
Premium on bond anticipation notes	-	10,095	871	10,966
Insurance recoveries	-	248,664	-	248,664
Loss on disposal of capital assets	-	(7,924)	-	(7,924)
Interest expense	<u>(44,097)</u>	<u>(88,609)</u>	<u>(76,382)</u>	<u>(209,088)</u>
Total nonoperating revenues (expenses)	<u>(44,097)</u>	<u>163,167</u>	<u>(72,014)</u>	<u>47,056</u>
Income before capital contributions	278,406	100,545	205,621	584,572
Capital contributions from other funds	<u>15,369</u>	<u>-</u>	<u>-</u>	<u>15,369</u>
Change in net position	293,775	100,545	205,621	599,941
Net position - beginning	<u>4,467,384</u>	<u>2,559,922</u>	<u>4,525,222</u>	<u>11,552,528</u>
Net position - ending	<u>\$ 4,761,159</u>	<u>\$ 2,660,467</u>	<u>\$ 4,730,843</u>	<u>\$ 12,152,469</u>

See notes to basic financial statements.

**VILLAGE OF SPRINGVILLE, NEW YORK  
STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS  
FOR THE YEAR ENDED MAY 31, 2019**

	<u>Electric</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Cash received from customers	\$ 3,547,197	\$ 813,035	\$ 1,216,805	\$ 5,577,037
Cash payments for contractual expenses	(2,153,388)	(317,079)	(293,832)	(2,764,299)
Cash payments to employees for services	(538,736)	(333,956)	(330,753)	(1,203,445)
Other operating revenues	-	20	2,435	2,455
Net cash provided by operating activities	<u>855,073</u>	<u>162,020</u>	<u>594,655</u>	<u>1,611,748</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>				
Interfund loans	(17,285)	-	-	(17,285)
Net cash used by noncapital financing activities	<u>(17,285)</u>	<u>-</u>	<u>-</u>	<u>(17,285)</u>
<b><u>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</u></b>				
Acquisition and construction of capital assets	(438,517)	(809,416)	(23,679)	(1,271,612)
Principal payments on debt	(127,000)	(61,000)	(282,000)	(470,000)
Interest paid on debt	(50,366)	(49,425)	(78,737)	(178,528)
Proceeds from bond anticipation notes	-	1,565,000	-	1,565,000
Premium on bond anticipation notes	-	10,095	871	10,966
Proceeds from capital grants	-	-	25,951	25,951
Proceeds from insurance recoveries	-	248,664	-	248,664
Contributed capital from other funds	15,369	-	-	15,369
Net cash provided (used) by capital and financing activities	<u>(600,514)</u>	<u>903,918</u>	<u>(357,594)</u>	<u>(54,190)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Interest on cash and investments	-	941	3,497	4,438
Net cash provided by investing activities	<u>-</u>	<u>941</u>	<u>3,497</u>	<u>4,438</u>
Net increase in cash and cash equivalents	237,274	1,066,879	240,558	1,544,711
Cash and cash equivalents - beginning	150	26,906	498,064	525,120
Cash and cash equivalents - ending	<u>\$ 237,424</u>	<u>\$ 1,093,785</u>	<u>\$ 738,622</u>	<u>\$ 2,069,831</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 322,503	\$ (62,622)	\$ 277,635	\$ 537,516
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	344,828	217,887	287,261	849,976
Increase in accounts receivable	194,028	764	12,711	207,503
Decrease in inventory	(3,099)	-	-	(3,099)
(Increase) in prepaid items	7,956	2,243	4,366	14,565
(Increase) in deferred outflows - pensions	75,018	48,448	52,922	176,388
(Decrease) in accounts payable	(11,880)	(6,709)	(3,874)	(22,463)
Increase (decrease) in accrued liabilities	(14,573)	615	(414)	(14,372)
Increase in due to retirement system	488	434	444	1,366
Increase in customer deposits	420	-	-	420
(Decrease) in other liabilities	(3,366)	-	-	(3,366)
Increase (decrease) in compensated absences	(1,521)	765	5,475	4,719
Increase in net pension liability	71,501	40,306	46,547	158,354
(Decrease) in deferred inflows - pensions	(127,230)	(80,111)	(88,418)	(295,759)
Net cash provided by operating activities	<u>\$ 855,073</u>	<u>\$ 162,020</u>	<u>\$ 594,655</u>	<u>\$ 1,611,748</u>
<b>Reconciliation of unrestricted and restricted cash and cash equivalents:</b>				
Cash and cash equivalents - unrestricted	\$ 237,424	\$ 299,886	\$ 710,754	\$ 1,248,064
Cash and cash equivalents - restricted	-	793,899	27,868	821,767
	<u>\$ 237,424</u>	<u>\$ 1,093,785</u>	<u>\$ 738,622</u>	<u>\$ 2,069,831</u>

See notes to basic financial statements.



VILLAGE OF SPRINGVILLE, NEW YORK  
STATEMENT OF FIDUCIARY NET POSITION – AGENCY FUND  
MAY 31, 2019

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**ASSETS**

Cash

\$ 2,634

**LIABILITIES**

Agency liabilities

\$ 2,634

See notes to basic financial statements.

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

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**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 Village's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

**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:

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.

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**

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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) are 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**

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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, 2019, the provision for uncollectible receivables amounted to \$28,785 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
Vehicles and equipment	5,000	straight-line	10-40 years
Infrastructure	5,000	straight-line	15-50 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 and the Statement of Net Position - Enterprise Funds. 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**

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In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village has one item that qualifies for reporting in this category. This item is related to pensions reported in the government-wide Statement of Net Position and the Statement of Net Position - Enterprise Funds. This represents the effect of the net change in the Village's proportion of the collective net pension liability 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 ASSUMPTION**

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 ASSUMPTIONS**

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 15<sup>th</sup> and become a lien on June 1<sup>st</sup>. Taxes are collected during the period of June 1<sup>st</sup> through October 31<sup>st</sup>. The unpaid taxes are then turned over to the County for enforcement. Any such taxes remaining unpaid at the year-end are relieved as County taxes in the subsequent year.

**3. 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 \$27,764 and \$54,703, 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 IN PREPARATION OF FINANCIAL STATEMENTS**

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 revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.



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

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**G. ACCOUNTING PRONOUNCEMENTS**

During the fiscal year ended May 31, 2019, the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; Statement No. 85, *Omnibus 2017*; and Statement No. 86, *Certain Debt Extinguishment Issues* became effective.

The Village has evaluated these Statements and determined that they have no significant impact on the Village's financial statements for the year ending May 31, 2019.

The following are GASB Statements that have been issued recently and are currently being evaluated, by the Village, for their potential impact in future years.

- 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. 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.
- Statement No. 90, *Majority Equity Interests-an Amendment of GASB Statements No. 14 and 61*, which will be effective for the year ending May 31, 2020.
- Statement No. 91, *Conduit Debt Obligations*, which will be effective for the year ending May 31, 2022.

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

**A. DEFICIT FUND EQUITY**

At May 31, 2019, the Capital Projects Fund, a major fund, has a deficit fund balance of \$2,213,512. 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 31<sup>st</sup>, the Village Administrator submits a tentative budget to the Village Board for the fiscal year commencing the following June 1<sup>st</sup>. 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 1<sup>st</sup>, 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.

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

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

**A. DEPOSITS AND INVESTMENTS**

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

Collateral is required for demand deposits and certificates of deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, 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, 2019.

Investment and Deposit Policy

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

Interest Rate Risk

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

Credit Risk

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

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

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.

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

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 \$1,048,214 as of May 31, 2019. 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, 2019, amounted to \$10,652.

**B. RECEIVABLES**

Significant revenues accrued by the Village at May 31, 2019, include the following:

General Fund

Relevy receivable	\$	6,505
Town of Sardinia - public safety agreement		22,399
Fines and forfeited bail		15,801
Miscellaneous receivables		12,833
Total accounts receivable	\$	<u>57,538</u>

PAVE NY	\$	16,808
Extreme Weather Recovery (EWR)		13,358
Total due from State and Federal	\$	<u>30,166</u>

Mortgage tax	\$	14,713
Total due from other governments	\$	<u>14,713</u>

Electric Fund

Unbilled receivables	\$	225,929
Miscellaneous receivables		99,691
Allowance for uncollectible accounts		(28,785)
Total accounts receivable	\$	<u>296,835</u>

Water Fund

Water rents receivable	\$	73,505
Unbilled receivables		98,588
Total accounts receivable	\$	<u>172,093</u>

Sewer Fund

Sewer rents receivable	\$	54,331
Unbilled receivables		72,193
Total accounts receivable	\$	<u>126,524</u>

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

**C. CAPITAL ASSETS**

Capital asset activity for the year ended May 31, 2019, was as follows:

**Governmental Activities:**

	Balance 06/01/18	Increases	Decreases	Balance 05/31/19
<u>Capital assets not being depreciated:</u>				
Land	\$ 468,817	\$ -	\$ -	\$ 468,817
Construction work in progress	54,487	60,434	-	114,921
Total capital assets not being depreciated	<u>523,304</u>	<u>60,434</u>	<u>-</u>	<u>583,738</u>
<u>Capital assets being depreciated:</u>				
Buildings	4,050,997	-	-	4,050,997
Improvements other than buildings	2,443,216	-	-	2,443,216
Vehicles & equipment	3,188,690	210,503	131,133	3,268,060
Infrastructure	14,194,231	-	-	14,194,231
Total capital assets, being depreciated	<u>23,877,134</u>	<u>210,503</u>	<u>131,133</u>	<u>23,956,504</u>
<u>Less accumulated depreciation:</u>				
Buildings	1,762,416	102,618	-	1,865,034
Improvements other than buildings	304,215	157,605	-	461,820
Vehicles & equipment	2,393,074	128,611	44,045	2,477,640
Infrastructure	8,313,363	263,747	-	8,577,110
Total accumulated depreciation	<u>12,773,068</u>	<u>652,581</u>	<u>44,045</u>	<u>13,381,604</u>
Total capital assets being depreciated, net	<u>11,104,066</u>	<u>(442,078)</u>	<u>87,088</u>	<u>10,574,900</u>
Governmental activities capital assets, net	<u>\$ 11,627,370</u>	<u>\$ (381,644)</u>	<u>\$ 87,088</u>	<u>\$ 11,158,638</u>

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

**Governmental activities:**

General government	\$ 61,554
Public safety	58,938
Transportation	435,218
Culture and recreation	68,150
Home and community service	<u>28,721</u>
Total depreciation expense - governmental activities	<u>\$ 652,581</u>

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

**Business-Type Activities:**

	Balance 06/01/18	Increases	Decreases	Balance 05/31/19
<u>Capital assets not being depreciated:</u>				
Land	\$ 118,201	\$ 100	\$ -	\$ 118,301
Construction work in progress	79,091	973,803	181,189	871,705
Total capital assets not being depreciated	<u>197,292</u>	<u>973,903</u>	<u>181,189</u>	<u>990,006</u>
<u>Capital assets being depreciated:</u>				
Buildings	5,183,076	47,190	11,776	5,218,490
Improvements other than buildings	13,511,719	371,409	318,653	13,564,475
Vehicles & equipment	691,187	145,815	52,939	784,063
Infrastructure	28,013,939	-	-	28,013,939
Total capital assets, being depreciated	<u>47,399,921</u>	<u>564,414</u>	<u>383,368</u>	<u>47,580,967</u>
<u>Less accumulated depreciation:</u>				
Buildings	3,334,337	94,205	11,776	3,416,766
Improvements other than buildings	7,704,095	387,896	292,084	7,799,907
Vehicles & equipment	382,843	57,672	34,636	405,879
Infrastructure	18,038,010	358,771	-	18,396,781
Total accumulated depreciation	<u>29,459,285</u>	<u>898,544</u>	<u>338,496</u>	<u>30,019,333</u>
Total capital assets being depreciated, net	<u>17,940,636</u>	<u>(334,130)</u>	<u>44,872</u>	<u>17,561,634</u>
Business-type activities capital assets, net	<u>\$ 18,137,928</u>	<u>\$ 639,773</u>	<u>\$ 226,061</u>	<u>\$ 18,551,640</u>

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

**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](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

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

Funding Policy

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

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

At May 31, 2019, 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2018. 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, 2019	March 31, 2019
Net pension liability	\$ 462,447	\$ 40,818
Village's portion of the Plan's total net pension liability	0.0065269 %	0.0024339 %
Change in proportion since the prior measurement date	0.0003299	0.0005360
Pension expense at May 31, 2019	\$ 317,775	\$ 29,068

At May 31, 2019, 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	\$ 91,066	\$ 9,916	\$ 31,043	\$ 4,358
Change of assumptions	116,240	14,830	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	118,690	8,175
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	45,585	10,827	11,586	1,779
Village's contributions subsequent to the measurement date	<u>42,367</u>	<u>3,351</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 295,258</u>	<u>\$ 38,924</u>	<u>\$ 161,319</u>	<u>\$ 14,312</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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>	<u>PFRS</u>
<u>Year ended March 31:</u>		
2020	\$ 106,382	\$ 10,489
2021	(78,127)	782
2022	(1,307)	2,020
2023	64,624	6,371
2024	-	1,599
Thereafter	-	-

Actuarial Assumptions

The total pension liability as of the March 31, 2019, was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019. The actuarial valuation used the following actuarial assumptions:

	<u>ERS</u>	<u>PFRS</u>
Inflation	2.5 %	2.5 %
Salary increases	4.2	5.0
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, 2018, 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, 2019, 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)	\$ 2,021,894	\$ 462,447	\$ (847,598)
<u>PFRS</u>			
Village's proportionate share of the net pension liability/(asset)	\$ 147,512	\$ 40,818	\$ (48,283)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2019, were as follows:

	(Dollars in Thousands)		
	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
Employers' total pension liability	\$ 189,803,429	\$ 34,128,100	\$ 223,931,529
Plan net position	182,718,124	32,451,037	215,169,161
Employers' net pension liability	<u>\$ 7,085,305</u>	<u>\$ 1,677,063</u>	<u>\$ 8,762,368</u>
Ratio of plan net position to the employers' total pension liability	96.3%	95.1%	96.1%

Payables to the Pension Plan

For ERS and PFRS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of May 31, 2019, represent a two-month portion of the projected employer contribution for the Plan year April 1, 2019, through March 31, 2020. Accrued retirement contributions as of May 31, 2019, amounted to \$42,367 and \$3,351 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**

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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, 2019.

Participants Covered by the Benefit Terms

At May 31, 2019, measurement date, the following participants were covered by the benefit terms:

Inactive participants currently receiving benefit payments	27
Inactive participants entitled to but not yet receiving benefit payments	19
Active participants	26
Total	<u>72</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, 2019, measurement date was determined using an actuarial valuation as of January 1, 2019.

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

Actuarial Assumptions

The total pension liability in the May 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method:	Entry Age Normal
Inflation:	2.00%
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 3.12%. This was the yield to maturity of the Fidelity 20-Year General Obligation AA Bond Index as of May 31, 2019.

Changes in the Total Pension Liability

Balance as of 5/31/18 measurement date - LOSAP	\$	1,683,237
Service cost		40,326
Interest		58,683
Changes in assumptions or other inputs		118,122
Change due to differences in experience		51,931
Benefit payments		<u>(81,270)</u>
Net change		<u>187,792</u>
Total pension liability as of 5/31/19 - LOSAP	\$	<u><u>1,871,029</u></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, 2019, measurement date, calculated using the discount rate of 3.12 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 (2.12 percent) or 1 percentage point higher (4.12 percent) than the current rate:

	1% Decrease (2.12%)	Current Assumption (3.12%)	1% Increase (4.12%)
	<u>          </u>	<u>          </u>	<u>          </u>
Total pension liability	\$ 2,120,000	\$ 1,871,029	\$ 1,665,000

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

For the year ended May 31, 2019, the Village recognized pension expense of \$96,220. At May 31, 2019, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>          </u>	<u>          </u>
Differences between expected and actual experience	\$ 62,445	\$ -
Change of assumptions of other inputs	87,195	-
Benefit payments & administrative expenses subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u><u>\$ 149,640</u></u>	<u><u>\$ -</u></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 the pension will be recognized in pension expense as follows:

<u>Year ended May 31:</u>	
2020	\$ 20,313
2021	20,313
2022	20,313
2023	20,313
2024	20,313
Thereafter	48,075

**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, 2019, were as follows:

<u>Year ending May 31,</u>	Governmental Activites
2020	\$ <u>40,575</u>
Total minimum lease payments	40,575
Less: amount representing interest	<u>(1,131)</u>
Present value of minimum lease payments	<u>\$ 39,444</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 are reported in the Water, Sewer and Electric 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 borrowings during the year ended May 31, 2019:

	Original Issue	Interest Rate	Balance 06/01/18	Issued	Redemptions	Balance 05/31/19
<b>Governmental Activities:</b>						
Heritage Park project	2016	2.75%	\$ 295,000	\$ -	\$ 45,000	\$ 250,000
Streetscape project	2016	2.75%	440,000	-	145,000	295,000
Franklin renovations	2016	2.75%	1,725,000	-	70,000	1,655,000
			<u>\$ 2,460,000</u>	<u>\$ -</u>	<u>\$ 260,000</u>	<u>\$ 2,200,000</u>
<b>Business-Type Activities:</b>						
Water System Improvements	2016	2.75%	\$ 125,000	\$ -	\$ 40,000	\$ 85,000
Water System Improvements	2016	2.75%	100,000	-	50,000	50,000
Electric Vehicles	2016	2.75%	184,000	-	44,000	140,000
Sewer System Improvements	2018	2.75%	-	1,565,000	-	1,565,000
			<u>\$ 409,000</u>	<u>\$ 1,565,000</u>	<u>\$ 134,000</u>	<u>\$ 1,840,000</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 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, 2019, are as follows:

<u>Issue Description</u>	<u>Original Issue Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding Balance 05/31/19</u>
<b>Business-Type Activities</b>					
<u>General Obligation Bonds</u>					
WWTP Projects - Sewer Refunding Public Improvement Serial Bonds - Electric	2013	\$ 2,985,000	1.88%	2050	\$ 2,575,000
Refunding Public Improvement Serial Bonds - Water	2016	1,717,000	2.00%	2034	1,589,000
Clean Water Revolving Fund - Water (refinanced)	2016	1,545,000	2.00%	2044	1,456,000
	2016	1,720,000	4.23%	2026	<u>1,155,000</u>
					<u>\$ 6,775,000</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, 2019, are as follows:

	<u>Balance 06/01/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 05/31/19</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Bonds payable:					
General obligation bonds	\$ 45,000	\$ -	\$ 45,000	\$ -	\$ -
Installment purchase debt	77,787	-	38,343	39,444	39,444
Compensated absences	24,535	37,266	34,037	27,764	2,776
LOSAP liability	1,683,237	269,062	81,270	1,871,029	-
Net pension liability **	97,013	125,723	-	222,736	-
Governmental activities long-term liabilities	<u>\$ 1,927,572</u>	<u>\$ 432,051</u>	<u>\$ 198,650</u>	<u>\$ 2,160,973</u>	<u>\$ 42,220</u>
<b>Business-Type Activities</b>					
Bonds payable:					
General obligation bonds	\$ 7,111,000	\$ -	\$ 336,000	\$ 6,775,000	\$ 342,000
Unamortized premium	148,959	-	8,405	140,554	8,405
Total bonds payable	<u>7,259,959</u>	<u>-</u>	<u>344,405</u>	<u>6,915,554</u>	<u>350,405</u>
Compensated absences	49,984	73,018	68,299	54,703	5,470
Net pension liability **	122,175	158,354	-	280,529	-
Business-type activities long-term liabilities	<u>\$ 7,432,118</u>	<u>\$ 231,372</u>	<u>\$ 412,704</u>	<u>\$ 7,250,786</u>	<u>\$ 355,875</u>

\*\* Additions to the net pension liability are shown net of reductions.

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

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

**Business-Type Activities**

Year ending May 31,	Bonds		
	Principal	Interest	Premium
2020	\$ 342,000	\$ 164,851	\$ 8,405
2021	353,000	157,604	8,405
2022	364,000	148,963	8,405
2023	370,000	140,598	8,405
2024	382,000	133,383	8,405
2025-2029	1,482,000	548,242	42,027
2030-2034	1,327,000	347,513	42,027
2035-2039	798,000	197,144	9,046
2040-2044	741,000	99,272	5,429
2045-2049	516,000	38,738	-
2050	100,000	1,875	-
Total	<u>\$ 6,775,000</u>	<u>\$ 1,978,183</u>	<u>\$ 140,554</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 \$2,776 and \$5,470 for the governmental activities and business-type activities will be due within one year, respectively.

LOSAP Pension Liability

The Village reported a liability of \$1,871,029 in the governmental activities for the year ended May 31, 2019, 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.

Net Pension Liability

The Village reported a liability of \$222,736 and \$280,529 for the governmental activities and business-type activities, respectively for the year ended May 31, 2019, 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.

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

**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	\$ 11,158,638	\$ 18,551,640
Unspent debt proceeds	6,677	821,767
Bond anticipation notes payable	(2,200,000)	(1,840,000)
Bonds payable used for capital assets	-	(6,915,554)
Installment purchase debt	(39,444)	-
Net investment in capital assets	<u>\$ 8,925,871</u>	<u>\$ 10,617,853</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, 2019. 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.

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, 2019, the Village had no committed fund balances.

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

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, 2019, governmental fund balances were classified as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
<u>Nonspendable:</u>			
Prepaid items	\$ 22,781	\$ -	\$ 22,781
<u>Restricted:</u>			
Capital projects	308,227	-	308,227
LOSAP	1,075,560	-	1,075,560
<u>Assigned:</u>			
Encumbrances:			
General government	3,447	-	3,447
Public safety	5,850	-	5,850
Culture and recreation	3,250	-	3,250
Subsequent year’s expenditures	250,000	-	250,000
<u>Unassigned (deficit):</u>			
General Fund	1,615,439	-	1,615,439
Capital Projects Fund (deficit)	-	(2,213,512)	(2,213,512)
Total	<u>\$ 3,284,554</u>	<u>\$ (2,213,512)</u>	<u>\$ 1,071,042</u>

**J. INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of May 31, 2019, is as follows:

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Projects	\$ 20,189
	Total	<u>\$ 20,189</u>

The outstanding balances between funds result from negative cash balances in the TAP Grant capital project.

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

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**K. INTERFUND TRANSFERS**

The composition of interfund transfers as of May 31, 2019, is as follows:

	<u>Transfer in:</u>
	<u>Capital Projects</u>
<u>Transfer out:</u>	
General	\$ <u>19,478</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, 2019, the Village’s total tax revenues were reduced by \$17,201

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, 2019, there were no significant encumbrances. The Village recorded encumbrances of \$12,547 in the General Fund.



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

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Construction Commitments

At May 31, 2019, the Village has two significant construction projects relating to the TAP grant project and the digster cover replacement project that are active. The Village has committed to various contracts in relation to these projects and the outstanding commitments amount to \$524,160 and \$549,500, respectively, as of May 31, 2019.

**NOTE 4 - SUBSEQUENT EVENT**

On July 3, 2019, the Village issued bond anticipation notes in the amount of \$4,626,000 for the purpose of funding various ongoing capital projects and improvements.

Management has evaluated subsequent events through September 25, 2019, 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.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**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 TEN FISCAL YEARS\***

	Year ended May 31,					
	2014	2015	2016	2017	2018	2019
<b><u>Employees' Retirement System</u></b>						
Measurement date	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Village's proportion of the net pension liability	0.0055538%	0.0055538%	0.0052294%	0.0055866%	0.0061970%	0.0065269%
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>	\$ <u>462,447</u>
Village's covered payroll	\$ 1,663,698	\$ 1,446,385	\$ 1,616,736	\$ 1,694,725	\$ 1,817,008	\$ 1,834,960
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%	25.2%
Plan fiduciary net position as a percentage of the total pension liability	97.2%	97.9%	90.7%	94.7%	98.2%	96.3%
<b><u>Police and Fire Retirement System</u></b>						
Measurement date	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Village's proportion of the net pension liability	0.0016344%	0.0016344%	0.0015846%	0.0011731%	0.0018979%	0.0024339%
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>	\$ <u>40,818</u>
Village's covered payroll	\$ 79,122	\$ 79,569	\$ 69,947	\$ 74,276	\$ 88,145	\$ 91,831
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%	44.4%
Plan fiduciary net position as a percentage of the total pension liability	100.7%	111.5%	90.2%	93.5%	96.9%	95.1%

\* 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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b><u>Employees' Retirement System</u></b>										
Contractually required contribution	\$ 105,657	\$ 154,873	\$ 216,743	\$ 269,947	\$ 293,499	\$ 292,968	\$ 223,678	\$ 233,744	\$ 237,069	\$ 251,059
Contributions in relation to the contractually required contribution	105,657	154,873	216,743	269,947	293,499	292,968	223,678	233,744	237,069	251,059
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered payroll	\$ 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	\$ 1,893,065
Contributions as a percentage of covered payroll	7.0%	10.2%	12.8%	16.6%	18.4%	18.6%	14.0%	13.4%	12.9%	13.3%
<b><u>Police and Fire Retirement System</u></b>										
Contractually required contribution	\$ 8,389	\$ 10,140	\$ 13,083	\$ 13,657	\$ 19,591	\$ 14,017	\$ 14,923	\$ 12,900	\$ 13,360	\$ 21,089
Contributions in relation to the contractually required contribution	8,389	10,140	13,083	13,657	19,591	14,017	14,923	12,900	13,360	21,089
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered payroll	\$ 103,852	\$ 109,800	\$ 114,994	\$ 104,467	\$ 106,486	\$ 53,737	\$ 52,340	\$ 73,282	\$ 125,271	\$ 141,796
Contributions as a percentage of covered payroll	8.1%	9.2%	11.4%	13.1%	18.4%	26.1%	28.5%	17.6%	10.7%	14.9%

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 TEN FISCAL YEARS\***

	<b>Year Ended May 31,</b>	
	<b>2018</b>	<b>2019</b>
Measurement Date	May 31, 2018	May 31, 2019
<b>Total Pension Liability</b>		
Service Cost	\$ 46,416	\$ 40,326
Interest	58,007	58,683
Changes of assumptions or other inputs	(35,152)	118,122
Differences between expected and actual experience	11,950	51,931
Benefit payments	<u>(73,186)</u>	<u>(81,270)</u>
Net change in total pension liability	8,035	187,792
Total pension liability - beginning	<u>1,675,202</u>	<u>1,683,237</u>
Total pension liability - ending	<u>\$ 1,683,237</u>	<u>\$ 1,871,029</u>
Covered-employee payroll	Not applicable	Not applicable
Total pension liability as a percentage of covered-employee payroll	Not applicable	Not applicable

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

**VILLAGE OF SPRINGVILLE, NEW YORK  
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND  
FOR THE YEAR ENDED MAY 31, 2019**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Real property taxes	\$ 1,769,799	\$ 1,769,799	\$ 1,768,912	\$ (887)
Real property tax items	94,162	94,162	100,027	5,865
Non-property taxes	532,000	532,000	576,351	44,351
Services and fees	141,100	141,100	151,990	10,890
Intergovernmental charges	211,993	211,993	218,404	6,411
Use of money and property	1,150	1,150	49,324	48,174
Fines and permits	132,150	132,420	221,425	89,005
Sale of property and compensation for loss	500	6,040	11,588	5,548
Miscellaneous local sources	102,661	102,661	108,229	5,568
Interfund revenues	45,000	45,000	44,737	(263)
State sources	147,356	152,856	192,923	40,067
<b>Total revenues</b>	<b>3,177,871</b>	<b>3,189,181</b>	<b>3,443,910</b>	<b>254,729</b>
<b>EXPENDITURES</b>				
Current:				
General government	314,147	368,361	366,887	1,474
Public safety	824,020	855,552	861,425	(5,873)
Transportation	830,830	763,610	744,606	19,004
Economic assistance and opportunity	-	700	10,075	(9,375)
Culture and recreation	147,000	128,294	124,843	3,451
Home and community services	398,693	432,153	403,088	29,065
Employee benefits	473,937	490,768	485,502	5,266
Debt service:				
Principal	343,344	343,344	343,343	1
Interest	76,102	76,102	39,092	37,010
<b>Total expenditures</b>	<b>3,408,073</b>	<b>3,458,884</b>	<b>3,378,861</b>	<b>80,023</b>
Excess (deficit) of revenues over expenditures	(230,202)	(269,703)	65,049	334,752
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfer in	35,000	35,000	-	35,000
Interfund transfer out	(35,000)	(54,478)	(19,478)	(35,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(19,478)</b>	<b>(19,478)</b>	<b>-</b>
Net change in fund balance *	(230,202)	(289,181)	45,571	334,752
Fund balance - beginning	3,238,983	3,238,983	3,238,983	-
Fund balance - ending	<u>\$ 3,008,781</u>	<u>\$ 2,949,802</u>	<u>\$ 3,284,554</u>	<u>\$ 334,752</u>

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



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

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**NOTE 1 - BUDGETARY INFORMATION**

**A. 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.

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended May 31, 2019, the excess of expenditures over appropriations noted in the budgetary comparison schedule were the result of encumbrances not being included in the final budget amounts.

**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 five 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.

<u>Year Ended May 31:</u>	<u>Discount Rate</u>	<u>Inflation Rate</u>
2019	3.12%	2.00%
2018	3.57%	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.