

**AUDITED
BASIC FINANCIAL STATEMENTS**

VILLAGE OF SPRINGVILLE, NEW YORK

MAY 31, 2020

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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, 2020 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As stated in Note 1, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities and Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period*. Our opinions will not be modified with respect to these matters.

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 30, 2020

VILLAGE OF SPRINGVILLE, NEW YORK
STATEMENT OF NET POSITION
MAY 31, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 864,053	\$ 539,929	\$ 1,403,982
Cash and cash equivalents - restricted	1,469,536	1,262,331	2,731,867
Receivables	13,029	787,629	800,658
State and federal receivables	71,309	-	71,309
Due from other governments	19,988	-	19,988
Internal balances	3,291	(3,291)	-
Inventory	-	288,721	288,721
Prepaid items	12,363	40,871	53,234
Cash and cash equivalents - LOSAP	18,084	-	18,084
Restricted investments - LOSAP annuity contracts	1,099,151	-	1,099,151
Capital assets not being depreciated	996,708	1,572,363	2,569,071
Capital assets, net of accumulated depreciation	9,962,989	18,035,313	27,998,302
	<u>14,530,501</u>	<u>22,523,866</u>	<u>37,054,367</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	845,246	635,483	1,480,729
	<u>845,246</u>	<u>635,483</u>	<u>1,480,729</u>
LIABILITIES			
Accounts payable	22,683	-	22,683
Accrued liabilities	16,479	179,838	196,317
Accrued interest payable	35,285	92,578	127,863
Bond anticipation notes payable	1,930,000	2,696,000	4,626,000
Customer deposits	-	58,372	58,372
Due to retirement system	21,288	26,183	47,471
Other liabilities	-	51,729	51,729
Noncurrent liabilities:			
Due and payable within one year	2,518	367,039	369,557
Due and payable after one year	2,891,549	7,250,068	10,141,617
	<u>4,919,802</u>	<u>10,721,807</u>	<u>15,641,609</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	24,640	28,242	52,882
	<u>24,640</u>	<u>28,242</u>	<u>52,882</u>
NET POSITION (DEFICIT)			
Net investment in capital assets	9,035,917	11,432,462	20,468,379
Restricted for:			
Capital projects	346,081	176,397	522,478
LOSAP	1,117,235	-	1,117,235
Unrestricted (deficit)	(67,928)	800,441	732,513
	<u>10,431,305</u>	<u>12,409,300</u>	<u>22,840,605</u>
Total net position	\$ <u>10,431,305</u>	\$ <u>12,409,300</u>	\$ <u>22,840,605</u>

See notes to basic financial statements.

VILLAGE OF SPRINGVILLE, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2020

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
Primary government:							
Governmental activities							
General government	\$ 69,242	\$ 194,131	\$ -	\$ -	\$ 124,889	\$ -	\$ 124,889
Public safety	1,181,350	187,153	-	-	(994,197)	-	(994,197)
Transportation	1,572,511	-	-	427,554	(1,144,957)	-	(1,144,957)
Culture and recreation	197,016	-	-	-	(197,016)	-	(197,016)
Home and community services	565,981	149,119	37,772	-	(379,090)	-	(379,090)
Interest on debt	41,053	-	-	-	(41,053)	-	(41,053)
Total governmental activities	3,627,153	530,403	37,772	427,554	(2,631,424)	-	(2,631,424)
Business-Type activities							
Electric	3,552,481	3,594,542	-	-	-	42,061	42,061
Sewer	1,023,338	881,692	-	-	-	(141,646)	(141,646)
Water	1,098,827	1,201,162	-	100,000	-	202,335	202,335
Total business-type activities	5,674,646	5,677,396	-	100,000	-	102,750	102,750
Total primary government	\$ 9,301,799	\$ 6,207,799	\$ 37,772	\$ 527,554	(2,631,424)	102,750	(2,528,674)
General revenues:							
					1,833,206	-	1,833,206
					103,238	-	103,238
					577,099	-	577,099
					55,962	15,455	71,417
					36,812	-	36,812
					216,292	138,626	354,918
Total general revenues					2,822,609	154,081	2,976,690
Change in net position					191,185	256,831	448,016
Net position - beginning					10,240,120	12,152,469	22,392,589
Net position - ending					\$ 10,431,305	\$ 12,409,300	\$ 22,840,605

See notes to basic financial statements.

**VILLAGE OF SPRINGVILLE, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
MAY 31, 2020**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 864,053	\$ -	\$ 864,053
Cash and cash equivalents - restricted	1,463,316	6,220	1,469,536
Receivables	13,029	-	13,029
State and federal receivables	-	71,309	71,309
Due from other governments	19,988	-	19,988
Due from other funds	61,178	-	61,178
Prepaid items	12,363	-	12,363
Cash and cash equivalents - LOSAP	18,084	-	18,084
Restricted investments - LOSAP annuity contracts	1,099,151	-	1,099,151
Total assets	<u>\$ 3,551,162</u>	<u>\$ 77,529</u>	<u>\$ 3,628,691</u>
LIABILITIES			
Accounts payable	\$ 22,683	\$ -	\$ 22,683
Accrued liabilities	16,479	-	16,479
Bond anticipation notes payable	-	1,930,000	1,930,000
Due to other funds	-	57,887	57,887
Due to retirement system	21,288	-	21,288
Total liabilities	<u>60,450</u>	<u>1,987,887</u>	<u>2,048,337</u>
FUND BALANCES (DEFICIT)			
Nonspendable	12,363	-	12,363
Restricted	1,463,316	-	1,463,316
Assigned	883,478	-	883,478
Unassigned (deficit)	1,131,555	(1,910,358)	(778,803)
Total fund balances (deficit)	<u>3,490,712</u>	<u>(1,910,358)</u>	<u>1,580,354</u>
Total liabilities and fund balances (deficit)	<u>\$ 3,551,162</u>	<u>\$ 77,529</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	10,959,697
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(25,175)
Net pension liability - ERS and PFRS	(785,656)
Total pension liability - LOSAP	(2,083,236)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds	(35,285)
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	510,908
Deferred pension inflows - ERS and PFRS	(24,640)
Deferred pension outflows - LOSAP	<u>334,338</u>
Net position of governmental activities	<u>\$ 10,431,305</u>

See notes to basic financial statements.

**VILLAGE OF SPRINGVILLE, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MAY 31, 2020**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES			
Real property taxes	\$ 1,833,206	\$ -	\$ 1,833,206
Real property tax items	103,238	-	103,238
Non-property taxes	577,099	-	577,099
Services and fees	152,250	-	152,250
Intergovernmental charges	185,872	-	185,872
Use of money and property	55,962	-	55,962
Licenses and permits	18,438	-	18,438
Fines and forfeitures	173,843	-	173,843
Sale of property and compensation for loss	7,680	-	7,680
Miscellaneous local sources	157,056	6,795	163,851
Interfund revenues	44,761	-	44,761
State sources	155,158	-	155,158
Federal sources	-	346,980	346,980
Total revenues	<u>3,464,563</u>	<u>353,775</u>	<u>3,818,338</u>
EXPENDITURES			
Current:			
General government	307,012	-	307,012
Public safety	843,738	-	843,738
Transportation	564,576	-	564,576
Culture and recreation	124,991	531	125,522
Home and community services	472,538	-	472,538
Employee benefits	474,810	-	474,810
Debt service:			
Principal	39,444	-	39,444
Interest	61,296	-	61,296
Capital outlay:			
Transportation	-	420,090	420,090
Total expenditures	<u>2,888,405</u>	<u>420,621</u>	<u>3,309,026</u>
Excess (deficit) of revenues over expenditures	576,158	(66,846)	509,312
OTHER FINANCING SOURCES (USES)			
Interfund transfer in	-	370,000	370,000
Interfund transfer out	(370,000)	-	(370,000)
Total other financing sources (uses)	<u>(370,000)</u>	<u>370,000</u>	<u>-</u>
Net change in fund balances	206,158	303,154	509,312
Fund balances (deficit) - beginning	<u>3,284,554</u>	<u>(2,213,512)</u>	<u>1,071,042</u>
Fund balances (deficit) - ending	<u>\$ 3,490,712</u>	<u>\$ (1,910,358)</u>	<u>\$ 1,580,354</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, 2020**

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)	\$	509,312	
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 (\$660,285) exceeded capital outlays (\$477,191) in the current period.			(183,094)
The net effect of various miscellaneous transaction involving capital assets (i.e. sales, trades) is to decrease net position.			(15,847)
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when paid.			20,243
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 installment purchase debt	\$	39,444	
Change in compensated absences		2,589	
Change in total LOSAP liability		(212,207)	
Change in net pension liability - proportionate share		<u>(562,920)</u>	(733,094)
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 pension	\$	408,967	
Change in deferred outflows and inflows - LOSAP pension		<u>184,698</u>	<u>593,665</u>
Change in net position of governmental activities	\$		<u><u>191,185</u></u>

VILLAGE OF SPRINGVILLE, NEW YORK
STATEMENT OF NET POSITION – ENTERPRISE FUNDS
MAY 31, 2020

	<u>Electric</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 14,897	\$ 184	\$ 524,848	\$ 539,929
Cash and cash equivalents - restricted	689,774	423,126	149,431	1,262,331
Receivables (net of allowance for uncollectibles in the Electric Fund)	488,885	130,873	167,871	787,629
Inventory	288,721	-	-	288,721
Prepaid items	29,965	4,695	6,211	40,871
Total current assets	<u>1,512,242</u>	<u>558,878</u>	<u>848,361</u>	<u>2,919,481</u>
Noncurrent assets:				
Capital assets not being depreciated	394,109	1,127,275	50,979	1,572,363
Capital assets, net	6,164,689	5,158,694	6,711,930	18,035,313
Total noncurrent assets	<u>6,558,798</u>	<u>6,285,969</u>	<u>6,762,909</u>	<u>19,607,676</u>
Total assets	<u>8,071,040</u>	<u>6,844,847</u>	<u>7,611,270</u>	<u>22,527,157</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	287,986	171,092	176,405	635,483
Total deferred outflows of resources	<u>287,986</u>	<u>171,092</u>	<u>176,405</u>	<u>635,483</u>
LIABILITIES				
Current liabilities:				
Accrued liabilities	168,399	4,368	7,071	179,838
Accrued interest payable	37,951	29,661	24,966	92,578
Bond anticipation notes payable	1,136,000	1,515,000	45,000	2,696,000
Customer deposits	58,372	-	-	58,372
Due to retirement system	11,865	7,050	7,268	26,183
Due to other funds	-	3,291	-	3,291
Other liabilities	51,729	-	-	51,729
Compensated absences	2,166	1,388	2,080	5,634
Serial bonds payable	95,596	63,000	202,809	361,405
Total current liabilities	<u>1,562,078</u>	<u>1,623,758</u>	<u>289,194</u>	<u>3,475,030</u>
Noncurrent liabilities:				
Compensated absences	19,498	12,489	18,723	50,710
Serial bonds payable	1,499,749	2,450,000	2,253,994	6,203,743
Net pension liability - proportionate share	451,190	268,050	276,375	995,615
Total noncurrent liabilities	<u>1,970,437</u>	<u>2,730,539</u>	<u>2,549,092</u>	<u>7,250,068</u>
Total liabilities	<u>3,532,515</u>	<u>4,354,297</u>	<u>2,838,286</u>	<u>10,725,098</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	12,799	7,603	7,840	28,242
Total deferred inflows of resources	<u>12,799</u>	<u>7,603</u>	<u>7,840</u>	<u>28,242</u>
NET POSITION				
Net investment in capital assets	4,517,227	2,627,585	4,287,650	11,432,462
Restricted for capital projects	-	53,510	122,887	176,397
Unrestricted (deficit)	296,485	(27,056)	531,012	800,441
Total net position	<u>\$ 4,813,712</u>	<u>\$ 2,654,039</u>	<u>\$ 4,941,549</u>	<u>\$ 12,409,300</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, 2020**

	<u>Electric</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 3,594,542	\$ 881,692	\$ 1,201,162	\$ 5,677,396
Other operating revenues	<u>632</u>	<u>100</u>	<u>1,332</u>	<u>2,064</u>
Total operating revenues	<u>3,595,174</u>	<u>881,792</u>	<u>1,202,494</u>	<u>5,679,460</u>
OPERATING EXPENSES				
Salaries, wages and employee benefits	634,878	352,736	418,012	1,405,626
Contractual expense	2,501,735	358,561	320,626	3,180,922
Depreciation	<u>313,756</u>	<u>232,544</u>	<u>290,199</u>	<u>836,499</u>
Total operating expenses	<u>3,450,369</u>	<u>943,841</u>	<u>1,028,837</u>	<u>5,423,047</u>
Operating income (loss)	<u>144,805</u>	<u>(62,049)</u>	<u>173,657</u>	<u>256,413</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	9,860	1,454	4,141	15,455
Grant revenue	-	-	100,000	100,000
Premium on bond anticipation notes	-	5,333	158	5,491
Insurance recoveries	-	128,331	2,740	131,071
Interest expense	<u>(58,275)</u>	<u>(79,497)</u>	<u>(69,990)</u>	<u>(207,762)</u>
Total nonoperating revenues (expenses)	<u>(48,415)</u>	<u>55,621</u>	<u>37,049</u>	<u>44,255</u>
Income (loss) before capital contributions	96,390	(6,428)	210,706	300,668
Capital contributions	<u>(43,837)</u>	<u>-</u>	<u>-</u>	<u>(43,837)</u>
Change in net position	52,553	(6,428)	210,706	256,831
Net position - beginning	<u>4,761,159</u>	<u>2,660,467</u>	<u>4,730,843</u>	<u>12,152,469</u>
Net position - ending	<u>\$ 4,813,712</u>	<u>\$ 2,654,039</u>	<u>\$ 4,941,549</u>	<u>\$ 12,409,300</u>

See notes to basic financial statements.

**VILLAGE OF SPRINGVILLE, NEW YORK
STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS
FOR THE YEAR ENDED MAY 31, 2020**

	<u>Electric</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Cash received from customers	\$ 3,401,662	\$ 877,343	\$ 1,205,384	\$ 5,484,389
Cash payments for contractual expenses	(2,478,545)	(358,381)	(318,272)	(3,155,198)
Cash payments to employees for services	(543,695)	(302,423)	(369,205)	(1,215,323)
Other operating revenues	632	100	1,332	2,064
Net cash provided by operating activities	<u>380,054</u>	<u>216,639</u>	<u>519,239</u>	<u>1,115,932</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Interfund loans	-	3,291	-	3,291
Net cash provided by noncapital financing activities	<u>-</u>	<u>3,291</u>	<u>-</u>	<u>3,291</u>
<u>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</u>				
Acquisition and construction of capital assets	(738,932)	(822,444)	(331,159)	(1,892,535)
Principal payments on debt	(131,000)	(112,000)	(284,000)	(527,000)
Interest paid on debt	(49,898)	(91,079)	(75,462)	(216,439)
Proceeds from bond anticipation notes	1,041,000	-	-	1,041,000
Premium on bond anticipation notes	-	5,333	158	5,491
Proceeds from capital grants	-	-	100,000	100,000
Proceeds from insurance recoveries	-	128,331	2,740	131,071
Contributed capital to other funds	(43,837)	-	-	(43,837)
Net cash provided (used) by capital and financing activities	<u>77,333</u>	<u>(891,859)</u>	<u>(587,723)</u>	<u>(1,402,249)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest on cash and investments	9,860	1,454	4,141	15,455
Net cash provided by investing activities	<u>9,860</u>	<u>1,454</u>	<u>4,141</u>	<u>15,455</u>
Net increase (decrease) in cash and cash equivalents	467,247	(670,475)	(64,343)	(267,571)
Cash and cash equivalents - beginning	<u>237,424</u>	<u>1,093,785</u>	<u>738,622</u>	<u>2,069,831</u>
Cash and cash equivalents - ending	<u>\$ 704,671</u>	<u>\$ 423,310</u>	<u>\$ 674,279</u>	<u>\$ 1,802,260</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 144,805	\$ (62,049)	\$ 173,657	\$ 256,413
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	313,756	232,544	290,199	836,499
(Increase) in accounts receivable	(192,050)	(4,349)	4,222	(192,177)
(Increase) in inventory	(11,018)	-	-	(11,018)
Decrease in prepaid items	1,464	180	2,354	3,998
(Increase) in deferred outflows - pensions	(208,517)	(124,429)	(123,428)	(456,374)
Increase (decrease) in accrued liabilities	20,657	(2,250)	1,888	20,295
Increase (decrease) in due to retirement system	462	354	(334)	482
(Decrease) in customer deposits	(830)	-	-	(830)
Increase in other liabilities	11,534	-	-	11,534
Increase (decrease) in compensated absences	3,690	(435)	(1,614)	1,641
Increase in net pension liability	326,721	194,965	193,400	715,086
(Decrease) in deferred inflows - pensions	(30,620)	(17,892)	(21,105)	(69,617)
Net cash provided by operating activities	<u>\$ 380,054</u>	<u>\$ 216,639</u>	<u>\$ 519,239</u>	<u>\$ 1,115,932</u>
Reconciliation of unrestricted and restricted cash and cash equivalents:				
Cash and cash equivalents - unrestricted	\$ 14,897	\$ 184	\$ 524,848	\$ 539,929
Cash and cash equivalents - restricted	689,774	423,126	149,431	1,262,331
	<u>\$ 704,671</u>	<u>\$ 423,310</u>	<u>\$ 674,279</u>	<u>\$ 1,802,260</u>

See notes to basic financial statements.

VILLAGE OF SPRINGVILLE, NEW YORK
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
MAY 31, 2020

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>282</u>
Total assets	\$ <u><u>282</u></u>
NET POSITION	
Restricted for individuals and organizations	\$ <u>282</u>
Total net position	\$ <u><u>282</u></u>

See notes to basic financial statements.

VILLAGE OF SPRINGVILLE, NEW YORK
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS
FOR THE YEAR ENDED MAY 31, 2020

	<u>Custodial Funds</u>
Net position - beginning, as restated (Note 4)	\$ <u>282</u>
Net position - ending	\$ <u><u>282</u></u>

See notes to basic financial statements.

VILLAGE OF SPRINGVILLE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. 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 and proprietary funds.

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 and enterprise. 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.

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.

VILLAGE OF SPRINGVILLE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

Other Fund Types:

Fiduciary Funds are used to account for certain trust funds and other custodial funds. Custodial Funds report fiduciary activities not held in trust. 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.

Custodial Funds - used to account for deposits for the police department's shop with a cop program.

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.

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*.

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. In addition, assets to support fund balance/net position restrictions are reported as restricted.

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.

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, 2020, the provision for uncollectible receivables amounted to \$17,074 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.

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

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	5-40 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.

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

3. ENTERPRISE FUNDS - OPERATING AND NONOPERATING REVENUES AND EXPENSES

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

4. COMPENSATED ABSENCES

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

Compensated absences for governmental fund type employees are reported as a fund liability and as an expenditure in the government-wide financial statements. The compensated absences liability for the Governmental and Enterprise Funds at the year-end totaled \$25,175 and \$56,344, 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.

G. ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended May 31, 2020, the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities* and early implemented Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The primary objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The Village reclassified certain activities, no longer considered fiduciary in nature to the General Funds to comply with this Statement in the current year. The primary objectives of Statement No. 89 are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period.

The Village has evaluated the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, and Statement No. 90, *Majority Equity Interests-an Amendment of GASB Statements No. 14 and 61*, which became effective for the fiscal year ended May 31, 2020, and determined that they have no significant impact on the Village's financial statements.

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. 87, *Leases*, which will be effective for the year ending May 31, 2023.
- Statement No. 91, *Conduit Debt Obligations*, which will be effective for the year ending May 31, 2023.
- Statement No. 92, *Omnibus 2020*, which will be effective for the year ending May 31, 2023.

VILLAGE OF SPRINGVILLE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

- Statement No. 93, *Replacement of Interbank Offered Rates*, which will be effective for the year ending May 31, 2023.
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which will be effective for the year ending May 31, 2024.
- Statement No. 96, *Subscription-Based Information Technology Arrangements*, which will be effective for the year ending May 31, 2024.
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and 84, and a supersession of GASB Statement No. 32*, which will be effective for the year ending May 31, 2023.

On May 8, 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* in response to the COVID-19 pandemic. The effective dates of GASB Statements, not yet implemented by the Village, have been updated above to reflect the impact of this Statement.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. LEGAL COMPLIANCE - BUDGETS

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

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

B. DEFICIT FUND BALANCE

At May 31, 2020, the Capital Projects Fund, a major fund, has a deficit fund balance of \$1,910,358. 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.

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.

VILLAGE OF SPRINGVILLE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

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, 2020.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end consists of the following:

<u>General Fund</u>	
Restricted for reserves	\$ <u>1,463,316</u>
<u>Capital Projects Fund</u>	
Unspent debt proceeds	\$ <u>6,220</u>
<u>Electric Fund</u>	
Unspent debt proceeds	\$ <u>689,774</u>
<u>Water Fund</u>	
Unspent debt proceeds	\$ 26,544
Restricted for reserves	122,887
Total restricted cash	\$ <u>149,431</u>
<u>Sewer Fund</u>	
Unspent debt proceeds	\$ 369,616
Restricted for reserves	53,510
Total restricted cash	\$ <u>423,126</u>

Investment and Deposit Policy

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

Interest Rate Risk

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

Credit Risk

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

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

VILLAGE OF SPRINGVILLE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

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.

Investment Pool – NYCLASS

The Village participates in the Cooperative Liquid Assets Securities System ("CLASS") a cooperative investment pool established pursuant to General Municipal Law that meets the definition of a 2a7-like pool. In accordance with the provisions of General Municipal Law, Article 3A, CLASS has designated Cutwater Asset Management, a wholly owned subsidiary of Municipal Bond Insurance Association ("MBIA"), Inc. as its registered investment advisor. MBIA, Inc. is registered with the Securities and Exchange Commission ("SEC"), and is subject to all rules and regulations of an investment advisor handling public funds. As such, the SEC provides regulatory oversight of CLASS.

The pool is authorized to invest in various securities issued by the United States and its agencies. The amounts represent the amortized cost of the cooperative shares and are considered to approximate fair value. The Village's position in the pools is equal to the value of the pool shares. Additional information concerning the CLASS is presented in the annual report which may be obtained from MBIA Municipal Investors Service Corporation, 113 King Street, Armonk, NY 10504.

CLASS is rated AAAM by Standard and Poor's Rating Service. Local government investment cooperatives in this rating category meet the highest standards for credit quality, conservative investment policies and safety of principal. The pool invests in a high-quality portfolio of investments legally permissible for municipalities and school districts in the State.

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 \$1,099,151 as of May 31, 2020. 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, 2020, amounted to \$6,155.

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

B. RECEIVABLES

Significant revenues accrued by the Village at May 31, 2020, include the following:

Capital Projects Fund

State and federal receivables - TAP grant	\$ 71,309
Total state and federal receivables	<u>\$ 71,309</u>

Electric Fund

Unbilled receivables	\$ 286,414
Miscellaneous receivables	219,545
Allowance for uncollectible accounts	(17,074)
Total receivables	<u>\$ 488,885</u>

Water Fund

Water rents receivable	\$ 70,406
Unbilled receivables	97,465
Total receivables	<u>\$ 167,871</u>

Sewer Fund

Sewer rents receivable	\$ 56,731
Unbilled receivables	74,142
Total receivables	<u>\$ 130,873</u>

C. CAPITAL ASSETS

Capital asset activity for the year ended May 31, 2020, was as follows:

Governmental Activities:

	<u>Balance 06/01/2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 05/31/2020</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 468,817	\$ -	\$ -	\$ 468,817
Construction work in progress	114,921	412,970	-	527,891
Total capital assets not being depreciated	<u>583,738</u>	<u>412,970</u>	<u>-</u>	<u>996,708</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	3,268,060	64,221	23,333	3,308,948
Infrastructure	14,194,231	-	-	14,194,231
Total capital assets, being depreciated	<u>23,956,504</u>	<u>64,221</u>	<u>23,333</u>	<u>23,997,392</u>

VILLAGE OF SPRINGVILLE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

	Balance 06/01/2019	Increases	Decreases	Balance 05/31/2020
<u>Less accumulated depreciation:</u>				
Buildings	1,865,034	102,618	-	1,967,652
Improvements other than buildings	461,820	157,245	-	619,065
Vehicles & equipment	2,477,640	136,676	7,486	2,606,830
Infrastructure	8,577,110	263,746	-	8,840,856
Total accumulated depreciation	13,381,604	660,285	7,486	14,034,403
Total capital assets being depreciated, net	10,574,900	(596,064)	15,847	9,962,989
Governmental activities capital assets, net	\$ 11,158,638	\$ (183,094)	\$ 15,847	\$ 10,959,697

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

Governmental activities:

General government	\$ 61,273
Public safety	63,699
Transportation	439,299
Culture and recreation	67,344
Home and community service	28,670
Total depreciation expense - governmental activities	\$ 660,285

Business-Type Activities:

	Balance 06/01/2019	Increases	Decreases	Balance 05/31/2020
<u>Capital assets not being depreciated:</u>				
Land	\$ 118,301	\$ -	\$ -	\$ 118,301
Construction work in progress	871,705	617,873	35,516	1,454,062
Total capital assets not being depreciated	990,006	617,873	35,516	1,572,363
<u>Capital assets being depreciated:</u>				
Buildings	5,218,490	86,534	-	5,305,024
Improvements other than buildings	13,564,475	769,415	224,703	14,109,187
Vehicles & equipment	784,063	395,234	-	1,179,297
Infrastructure	28,013,939	242,664	-	28,256,603
Total capital assets, being depreciated	47,580,967	1,493,847	224,703	48,850,111
<u>Less accumulated depreciation:</u>				
Buildings	3,416,766	96,633	-	3,513,399
Improvements other than buildings	7,799,907	361,143	94,224	8,066,826
Vehicles & equipment	405,879	69,603	-	475,482
Infrastructure	18,396,781	362,310	-	18,759,091
Total accumulated depreciation	30,019,333	889,689	94,224	30,814,798
Total capital assets being depreciated, net	17,561,634	604,158	130,479	18,035,313
Business-type activities capital assets, net	\$ 18,551,640	\$ 1,222,031	\$ 165,995	\$ 19,607,676

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

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

D. PENSION OBLIGATIONS

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

Plan Description

The Village participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS), which are collectively referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer defined benefit retirement system. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (NYSRSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Village also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefit's provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Funding Policy

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

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

At May 31, 2020, 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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2019. 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 System in reports provided to the Village.

	<u>ERS</u>	<u>PFRS</u>
Measurement date	March 31, 2020	March 31, 2020
Net pension liability	\$ 1,664,909	\$ 116,362
Village's portion of the Plan's total net pension liability	0.0062873 %	0.0021771 %
Change in proportion since the prior measurement date	(0.0002396)	(0.0002568)
Pension expense at May 31, 2020	\$ 573,908	\$ 43,555

VILLAGE OF SPRINGVILLE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

At May 31, 2020, the Village's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	PFRS	ERS	PFRS
Differences between expected and actual experience	\$ 97,987	\$ 7,748	\$ -	\$ 1,949
Change of assumptions	33,523	9,946	28,947	-
Net difference between projected and actual earnings on pension plan investments	853,513	52,401	-	-
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	33,874	9,928	18,280	3,706
Village's contributions subsequent to the measurement date	<u>43,784</u>	<u>3,687</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,062,681</u>	<u>\$ 83,710</u>	<u>\$ 47,227</u>	<u>\$ 5,655</u>

Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended May 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	ERS	PFRS
<u>Year ended March 31:</u>		
2021	\$ 171,492	\$ 16,780
2022	245,289	17,847
2023	308,619	21,717
2024	246,270	17,333
2025	-	691
Thereafter	-	-

Actuarial Assumptions

The total pension liability as of the March 31, 2020, was determined by using an actuarial valuation as of April 1, 2019, with update procedures used to roll forward the total pension liability to March 31, 2020. The actuarial valuation used the following actuarial assumptions:

	ERS	PFRS
Inflation	2.5 %	2.5 %
Salary increases	4.2	5.0
Investment rate of return (net of investment expense, including inflation)	6.8	6.8
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-2018. The actuarial assumptions used in the April 1, 2019, valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

VILLAGE OF SPRINGVILLE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

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, 2020, 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	6.2
Private equity	10.0	6.8
Real estate	10.0	5.0
Absolute return strategies	2.0	3.3
Opportunistic portfolio	3.0	4.7
Real assets	3.0	6.0
Bond and mortgages	17.0	0.8
Cash	1.0	-
Inflation-indexed bonds	4.0	0.5
Total	100.0 %	

Discount Rate

The discount rate used to calculate the total pension liability was 6.8%. 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 6.8%, 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 (5.8%) or 1-percentage point higher (7.8%) than the current rate:

	<u>1% Decrease (5.8%)</u>	<u>Current Assumption (6.8%)</u>	<u>1% Increase (7.8%)</u>
<u>ERS</u>			
Village's proportionate share of the net pension liability/(asset)	\$ 3,055,577	\$ 1,664,909	\$ 384,097
<u>PFRS</u>			
Village's proportionate share of the net pension liability/(asset)	\$ 208,058	\$ 116,362	\$ 34,246

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

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2020, were as follows:

	(Dollars in Thousands)		
	ERS	PFRS	Total
Employers' total pension liability	\$ 194,596,261	\$ 35,309,017	\$ 229,905,278
Plan net position	168,115,682	29,964,080	198,079,762
Employers' net pension liability	<u>\$ 26,480,579</u>	<u>\$ 5,344,937</u>	<u>\$ 31,825,516</u>
Ratio of plan net position to the employers' total pension liability	86.4%	84.9%	86.2%

Payables to the Pension Plan

For ERS and PFRS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of May 31, 2020, represent a two-month portion of the projected employer contribution for the Plan year April 1, 2020, through March 31, 2021. Accrued retirement contributions as of May 31, 2020, amounted to \$43,784 and \$3,687 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.

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.

VILLAGE OF SPRINGVILLE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

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, 2020.

Participants Covered by the Benefit Terms

At May 31, 2020, measurement date, the following participants were covered by the benefit terms:

Inactive participants currently receiving benefit payments	28
Inactive participants entitled to but not yet receiving benefit payments	20
Active participants	<u>24</u>
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, 2020, measurement date was determined using an actuarial valuation as of January 1, 2020.

Actuarial Assumptions

The total pension liability in the May 31, 2020, 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 2.48%. This was the yield to maturity of the Fidelity 20-Year General Obligation AA Bond Index as of May 31, 2020.

Changes in the Total Pension Liability

Balance as of 5/31/2019 measurement liability date - LOSAP	\$ 1,871,029
Service cost	38,921
Interest	57,020
Changes in assumptions or other inputs	155,721
Change due to differences in experience	49,290
Benefit payments	<u>(88,745)</u>
Net change	<u>212,207</u>
Total pension liability as of 5/31/2020 - LOSAP	<u>\$ 2,083,236</u>

VILLAGE OF SPRINGVILLE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

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, 2020, measurement date, calculated using the discount rate of 2.48 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 (1.48 percent) or 1 percentage point higher (3.48 percent) than the current rate:

	1% Decrease (1.48%)	Current Assumption (2.48%)	1% Increase (3.48%)
Total pension liability	\$ 2,369,000	\$ 2,083,236	\$ 1,848,000

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

For the year ended May 31, 2020, the Village recognized pension expense of \$116,254. At May 31, 2020, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 103,244	\$ -
Change of assumptions of other inputs	231,094	-
Total	<u>\$ 334,338</u>	<u>\$ -</u>

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>	
2021	\$ 50,011
2022	50,011
2023	50,011
2024	50,011
2025	50,011
Thereafter	84,283

F. 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 (BANs). 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 BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date, if not completely repaid. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

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

The schedule below details the changes in short-term borrowings during the year ended May 31, 2020:

	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance 06/01/2019</u>	<u>Issued</u>	<u>Redemptions</u>	<u>Balance 05/31/2020</u>
Governmental Activities:						
Heritage Park project	2016	2.00%	\$ 250,000	\$ -	\$ 50,000	\$ 200,000
Streetscape project	2016	2.00%	295,000	-	145,000	150,000
Franklin renovations	2016	2.00%	1,655,000	-	75,000	1,580,000
			<u>\$ 2,200,000</u>	<u>\$ -</u>	<u>\$ 270,000</u>	<u>\$ 1,930,000</u>
Business-Type Activities:						
Water system improvements	2016	2.00%	\$ 85,000	\$ -	\$ 40,000	\$ 45,000
Water system improvements	2016	2.00%	50,000	-	50,000	-
Electric vehicles	2016	2.00%	140,000	-	45,000	95,000
Electric system improvements	2019	2.00%	-	1,041,000	-	1,041,000
Sewer system improvements	2018	2.00%	1,565,000	-	50,000	1,515,000
			<u>\$ 1,840,000</u>	<u>\$ 1,041,000</u>	<u>\$ 185,000</u>	<u>\$ 2,696,000</u>

G. 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, 2020, 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 05/31/2020</u>
Business-Type Activities					
<u>General Obligation Bonds</u>					
WWTP Projects - Sewer Refunding Public Improvement	2013	\$ 2,985,000	1.88%	2050	\$ 2,513,000
Serial Bonds - Electric Refunding Public Improvement	2016	1,717,000	2.00%	2034	1,503,000
Serial Bonds - Water Clean Water Revolving Fund - Water (refinanced)	2016	1,545,000	2.00%	2044	1,412,000
	2016	1,720,000	4.23%	2026	1,005,000
					<u>\$ 6,433,000</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.

VILLAGE OF SPRINGVILLE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

Changes in Long-Term Liabilities

Changes in the Village's long-term liabilities for the year ended May 31, 2020, are as follows:

	Balance 06/01/2019	Additions	Reductions	Balance 05/31/2020	Due Within One Year
Governmental Activities					
Installment purchase debt	\$ 39,444	\$ -	\$ 39,444	\$ -	\$ -
Compensated absences	27,764	30,048	32,637	25,175	2,518
LOSAP liability	1,871,029	300,952	88,745	2,083,236	-
Net pension liability **	<u>222,736</u>	<u>562,920</u>	<u>-</u>	<u>785,656</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 2,160,973</u>	<u>\$ 893,920</u>	<u>\$ 160,826</u>	<u>\$ 2,894,067</u>	<u>\$ 2,518</u>
Business-Type Activities					
Bonds payable:					
General obligation bonds	\$ 6,775,000	\$ -	\$ 342,000	\$ 6,433,000	\$ 353,000
Unamortized premium	140,554	-	8,406	132,148	8,405
Total bonds payable	<u>6,915,554</u>	<u>-</u>	<u>350,406</u>	<u>6,565,148</u>	<u>361,405</u>
Compensated absences	54,703	70,453	68,812	56,344	5,634
Net pension liability **	<u>280,529</u>	<u>715,086</u>	<u>-</u>	<u>995,615</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 7,250,786</u>	<u>\$ 785,539</u>	<u>\$ 419,218</u>	<u>\$ 7,617,107</u>	<u>\$ 367,039</u>

** Additions/reductions to the net pension liability are shown net

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

Business-Type Activities

Year ending May 31,	Bonds		
	Principal	Interest	Premium
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	388,000	122,969	8,405
2026-2030	1,338,000	512,204	42,030
2031-2035	1,235,000	307,506	35,430
2036-2040	817,000	177,869	9,046
2041-2045	670,000	83,172	3,617
2046-2050	516,000	29,063	-
Total	<u>\$ 6,433,000</u>	<u>\$ 1,813,331</u>	<u>\$ 132,148</u>

As of May 31, 2020, the Village has \$500,000 of serial bonds authorized but not yet issued for the purchase of a fire truck.

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 \$2,518 and \$5,634 for the governmental activities and business-type activities will be due within one year, respectively.

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

LOSAP Pension Liability

The Village reported a liability of \$2,083,236 in the governmental activities for the year ended May 31, 2020, 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 \$785,656 and \$995,615 for the governmental activities and business-type activities, respectively for the year ended May 31, 2020, 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.

H. 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	\$ 10,959,697	\$ 19,607,676
Unspent debt proceeds	6,220	1,085,934
Bond anticipation notes payable	(1,930,000)	(2,696,000)
Bonds payable used for capital assets	-	(6,565,148)
Net investment in capital assets	<u>\$ 9,035,917</u>	<u>\$ 11,432,462</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, 2020. Also, the restricted net position of the business-type activities is consistent with the restricted net position of the total enterprise funds.

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

FUND BALANCE

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

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

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

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

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

VILLAGE OF SPRINGVILLE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

Committed – represents amounts that are subject to a purpose constraint imposed by a formal action of the Village’s highest level of decision-making authority. As of May 31, 2020, the Village had no committed fund balances.

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

- *Subsequent years’ expenditures* – represents available fund balance being appropriated to meet expenditure requirements in the 2021 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, 2020, governmental fund balances were classified as follows:

	General	Capital Projects	Total
<u>Nonspendable:</u>			
Prepaid items	\$ 12,363	\$ -	\$ 12,363
<u>Restricted:</u>			
Capital projects	346,081	-	346,081
LOSAP	1,117,235	-	1,117,235
<u>Assigned:</u>			
<u>Encumbrances:</u>			
General government	2,430	-	2,430
Public safety	490,554	-	490,554
Transportation	10,000	-	-
Culture and recreation	8,494	-	8,494
Subsequent years' expenditures	372,000	-	372,000
<u>Unassigned (deficit):</u>			
General Fund	1,131,555	-	1,131,555
Capital Projects Fund (deficit)	-	(1,910,358)	(1,910,358)
Total	\$ 3,490,712	\$ (1,910,358)	\$ 1,580,354

I. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of May 31, 2020, is as follows:

Due from/to other funds:

Receivable Fund	Payable Fund	Amount
General	Capital Projects	\$ 57,887
General	Sewer	3,291
	Total	\$ 61,178

The outstanding balances between funds result from working capital loans made for projects that are expected to be repaid in the subsequent year.

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

J. INTERFUND TRANSFERS

The composition of interfund transfers as of May 31, 2020, is as follows:

		<u>Transfer in:</u>
		<u>Capital Projects</u>
<u>Transfer out:</u>		
General	\$	<u>370,000</u>
		<u>370,000</u>

Transfers were reported to represent the repayment of the bond anticipation notes payable in the Capital Projects Fund.

K. TAX ABATEMENTS

The Village has 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, 2020, the Village's total tax revenues were reduced by \$5,842

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.

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.

Other – On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include forced closures for certain types of public places, including public schools. The Village's administration has assessed these events and the impact of these restrictions and closures related to the Village's operations. As of the date of these financial statements and as these events continue to unfold, management believes there will be an impact related to the amount of sales and mortgage tax the Village will receive in 2021 fiscal year. Management believes that these revenues will be lower in 2020/2021 than anticipated in the adopted 2020/2021 budget. Management has assessed the financial condition and the potential impact on revenues and has determined that the Village has assets and fund balances to absorb this potential decrease in revenues for the 2020/2021 fiscal year.

VILLAGE OF SPRINGVILLE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

M. 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, 2020, there was a significant encumbrance for the purchase of a fire truck in the amount of \$456,725. The Village recorded encumbrances totaling \$511,478 in the General Fund.

Construction Commitments

At May 31, 2020, the Village has three significant construction projects relating to the TAP grant project, the sanitary sewer project and the scada system replacement project that are active. The Village has committed to various contracts in relation to these projects and the outstanding commitments amount to \$107,635, \$208,707 and \$188,902, respectively, as of May 31, 2020.

NOTE 4 – RESTATEMENT OF NET POSITION

For the fiscal year ended May 31, 2020, the Village implemented GASB Statement No. 84, *Fiduciary Activities*. The implementation of this Statement resulted in the reporting of net position in the Custodial Funds.

	<u>Custodial Funds</u>
Net position - beginning, as previously stated	\$ -
Implementation of GASB Statement No. 84	282
Net position - beginning, as restated	\$ <u>282</u>

NOTE 5 - SUBSEQUENT EVENTS

During August 2020, the Village authorized a issuance of serial bonds in an aggregate principal amount not to exceed \$1,500,000 for an electric system capital improvements project.

Management has evaluated subsequent events through September 30, 2020, which is the date the financial statements are available for issuance, and have determined, with exception to the event noted in the above paragraph, there are no subsequent events that require disclosure under generally accepted accounting principles.

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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' AND POLICE AND FIRE RETIREMENT SYSTEM
LAST TEN FISCAL YEARS***

	Year ended May 31,						
	2014	2015	2016	2017	2018	2019	2020
<u>Employees' Retirement System</u>							
Measurement date	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
Village's proportion of the net pension liability	0.0055538%	0.0055538%	0.0052294%	0.0055866%	0.0061970%	0.0065269%	0.0062873%
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>	\$ <u>1,664,909</u>
Village's covered payroll	\$ 1,663,698	\$ 1,446,385	\$ 1,616,736	\$ 1,694,725	\$ 1,817,008	\$ 1,834,960	\$ 1,814,478
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%	91.8%
Plan fiduciary net position as a percentage of the total pension liability	97.2%	97.9%	90.7%	94.7%	98.2%	96.3%	86.4%
<u>Police and Fire Retirement System</u>							
Measurement date	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
Village's proportion of the net pension liability	0.0016344%	0.0016344%	0.0015846%	0.0011731%	0.0018979%	0.0024339%	0.0021771%
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>	\$ <u>116,362</u>
Village's covered payroll	\$ 79,122	\$ 79,569	\$ 69,947	\$ 74,276	\$ 88,145	\$ 91,831	\$ 120,766
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%	96.4%
Plan fiduciary net position as a percentage of the total pension liability	100.7%	111.5%	90.2%	93.5%	96.9%	95.1%	84.9%

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 TISCAL YEARS**

	Year ended May 31,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>Employees' Retirement System</u>										
Contractually required contribution	\$ 154,873	\$ 216,743	\$ 269,947	\$ 293,499	\$ 292,968	\$ 223,678	\$ 233,744	\$ 237,069	\$ 251,059	\$ 252,961
Contributions in relation to the contractually required contribution	<u>154,873</u>	<u>216,743</u>	<u>269,947</u>	<u>293,499</u>	<u>292,968</u>	<u>223,678</u>	<u>233,744</u>	<u>237,069</u>	<u>251,059</u>	<u>252,961</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village's covered payroll	\$ 1,517,856	\$ 1,688,096	\$ 1,626,433	\$ 1,593,666	\$ 1,571,278	\$ 1,592,895	\$ 1,738,900	\$ 1,841,374	\$ 1,893,065	\$ 1,848,156
Contributions as a percentage of covered payroll	10.2%	12.8%	16.6%	18.4%	18.6%	14.0%	13.4%	12.9%	13.3%	13.7%
<u>Police and Fire Retirement System</u>										
Contractually required contribution	\$ 10,140	\$ 13,083	\$ 13,657	\$ 19,591	\$ 14,017	\$ 14,923	\$ 12,900	\$ 13,360	\$ 21,089	\$ 21,456
Contributions in relation to the contractually required contribution	<u>10,140</u>	<u>13,083</u>	<u>13,657</u>	<u>19,591</u>	<u>14,017</u>	<u>14,923</u>	<u>12,900</u>	<u>13,360</u>	<u>21,089</u>	<u>21,456</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village's covered payroll	\$ 109,800	\$ 114,994	\$ 104,467	\$ 106,486	\$ 53,737	\$ 52,340	\$ 73,282	\$ 125,271	\$ 141,796	\$ 155,373
Contributions as a percentage of covered payroll	9.2%	11.4%	13.1%	18.4%	26.1%	28.5%	17.6%	10.7%	14.9%	13.8%

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***

	Year Ended May 31,		
	2018	2019	2020
Measurement Date	May 31, 2018	May 31, 2019	May 31, 2020
Total Pension Liability			
Service Cost	\$ 46,416	\$ 40,326	\$ 38,921
Interest	58,007	58,683	57,020
Changes of assumptions or other inputs	(35,152)	118,122	155,721
Differences between expected and actual experience	11,950	51,931	49,290
Benefit payments	(73,186)	(81,270)	(88,745)
Net change in total pension liability	<u>8,035</u>	<u>187,792</u>	<u>212,207</u>
Total pension liability - beginning	<u>1,675,202</u>	<u>1,683,237</u>	<u>1,871,029</u>
Total pension liability - ending	<u>\$ 1,683,237</u>	<u>\$ 1,871,029</u>	<u>\$ 2,083,236</u>
Covered-employee payroll	Not applicable	Not applicable	Not applicable
Total pension liability as a percentage of covered-employee payroll	Not applicable	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, 2020**

	General Fund			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Real property taxes	\$ 1,833,206	\$ 1,833,206	\$ 1,833,206	\$ -
Real property tax items	100,134	100,133	103,238	3,105
Non-property taxes	611,518	576,000	577,099	1,099
Services and fees	141,100	141,100	152,250	11,150
Intergovernmental charges	182,851	182,851	185,872	3,021
Use of money and property	5,000	5,000	55,962	50,962
Licenses and permits	17,150	17,150	18,438	1,288
Fines and forfeitures	160,000	160,000	173,843	13,843
Sale of property and compensation for loss	500	3,525	7,680	4,155
Miscellaneous local sources	117,000	152,518	157,056	4,538
Interfund revenues	45,000	45,000	44,761	(239)
State sources	116,637	155,429	155,158	(271)
	<u>3,330,096</u>	<u>3,371,912</u>	<u>3,464,563</u>	<u>92,651</u>
EXPENDITURES				
Current:				
General government	364,170	335,929	307,012	28,917
Public safety	869,535	905,096	843,738	61,358
Transportation	740,724	727,637	564,576	163,061
Culture and recreation	131,051	135,731	124,991	10,740
Home and community services	504,278	553,638	472,538	81,100
Employee benefits	498,467	492,565	474,810	17,755
Debt service:				
Principal	309,444	309,444	39,444	270,000
Interest	62,428	62,428	61,296	1,132
	<u>3,480,097</u>	<u>3,522,468</u>	<u>2,888,405</u>	<u>634,063</u>
Excess (deficit) of revenues over expenditures	(150,001)	(150,556)	576,158	726,714
OTHER FINANCING SOURCES (USES)				
Interfund transfer in	35,000	35,555	-	(35,555)
Interfund transfer out	(135,000)	(135,000)	(370,000)	(235,000)
Total other financing sources (uses)	<u>(100,000)</u>	<u>(99,445)</u>	<u>(370,000)</u>	<u>(270,555)</u>
Net change in fund balance *	(250,001)	(250,001)	206,158	456,159
Fund balance - beginning	<u>3,284,554</u>	<u>3,284,554</u>	<u>3,284,554</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,034,553</u>	<u>\$ 3,034,553</u>	<u>\$ 3,490,712</u>	<u>\$ 456,159</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**

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.

NOTE 2 - FACTORS AFFECTING TRENDS IN RETIREMENT SYSTEM PENSION

RETIREMENT SYSTEM

The Village's proportionate share of the net pension (asset)/liability of the pension systems is significantly dependent on the performance of the stock market and the funds that the retirement system invests in. The discount rate in effect at each measurement date is as follows:

<u>Year ended March 31:</u>	<u>ERS</u>	<u>PFRS</u>
2020	6.80%	6.80%
2019	7.00%	7.00%
2018	7.00%	7.00%
2017	7.00%	7.00%
2016	7.00%	7.00%
2015	7.50%	7.50%

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.

VILLAGE OF SPRINGVILLE, NEW YORK
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (Continued)

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>
2020	2.48%	2.00%
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.

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