VILLAGE OF SPENCERPORT, NEW YORK
NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended May 31, 2017

I. Summary of Significant Accounting Policies

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

a. Financial Reporting Entity

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

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

All governmental activities and functions performed for the Village of Spencerport are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of (a) the primary government which is the Village of Spencerport, (b) organizations for which the primary government is financially accountable (Sewer Fund, Electric Fund), and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement 14, as amended by GASB Statement 39. Based on the criteria under GASB Statement 14, there are no component units or organizations required to be included in the Village's reporting entity.

b. Fund Accounting

The Village of Spencerport uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

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

The Village records its transactions in the fund types and account groups described below.

i. **Fund Categories**

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

   General Fund - the principal operating fund and includes all operations not recorded in other funds pursuant to law.

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

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

   Capital Projects Fund - 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 (Electric) funds.

2. **Proprietary Funds** - used to account for ongoing organizations or activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in financial position. The following proprietary funds are utilized:

   Enterprise Fund - used to account for the following operations:

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

3. **<u>Fiduciary Funds</u>** - used to account for assets held by the local government in a trustee or custodial capacity: The following fiduciary funds are utilized by the Village of Spencerport:

   <u>Agency Fund</u> **-** used to account for money (and/or property) received and held in the capacity of trustee, custodian, or agent.

   <u>Permanent Fund</u> – account for resources that are legally restricted to the extent that only earnings, not principal may be used for purposes that benefit the government or its citizenry. The Village currently has no permanent fund applications. (See Note on Miscellaneous Fund below).

   <u>Miscellaneous Fund</u> – account for those revenues that are legally restricted to expenditures for specific purposes. The CM should also be used to account for trusts that benefit the local government where principal and interest may be expended. The CM Fund is utilized by the Village for revenues and expenses to benefit maintenance of the Village park areas. ***Note:*** In previous years these revenues and expenses were reported as a permanent fund (PN). Adjustments to correct fund reporting were made in the 2010 fiscal year.

ii. <u>Account Groups</u>

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

1. **<u>The General Fixed Assets Group</u>** - used to account for land, buildings, improvements other than buildings, and equipment utilized for general government purposes.

2. **<u>The General Long-Term Debt Account Group</u>** - used to account for all long-term debt. Long-term indebtedness includes obligations such as serial bonds and compensated absences

c. <u>Basis of Accounting/Measurement Focus</u>

Basis of accounting refers to <u>when</u> revenues and expenditures/ expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. Measurement focus is the determination of <u>what</u> is measured, i.e. expenditures or expenses. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are included in the fund types on the balance sheet. Operating statements of these fund types present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in fund balance.

i. ***Modified Accrual Basis*** - All Governmental Funds and Expendable Trust Funds are accounted for using the NYS Uniform System of Accounts modified accrual basis of accounting. Accounting practices prescribed by New York State to demonstrate compliance with the State's regulatory basis of accounting and budget laws requires the use of the modified accrual basis of accounting for recording transactions in governmental fund types and expendable trust and agency funds as applicable.

Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Material revenues that are accrued include real property taxes, state and federal aid, sales tax and certain user charges. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

1. Expenditures are recorded when incurred except that:

a. Expenditures for prepaid expenses and inventory-type items are recognized at the time of purchase.

b. Principal and interest on indebtedness are not recognized as expenditure until due.

c. Compensated absences, such as vacation and sick leave which vests or accumulates, are charged as expenditures when paid. (Note III.B.4.b.)

d. Pension costs are recognized as expenditure when billed by the State.

ii. ***Accrual Basis*** - Proprietary funds are accounted for on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when incurred. The Village applies the New York State Regulatory Basis of Accounting. Under this basis, fixed assets and long-term liabilities related to these activities are recorded within the funds.

Long-term assets are expended as depreciation over the life of the asset, not immediately at the time of acquisition. The straight-line method of depreciation is used in determining depreciation expense in these funds. Inventories are maintained using a historical cost method. Contributions to a fund, or from some other source, are recorded as contributed capital and not as revenues or expenses.

iii. ***Account Groups*** - General fixed assets are recorded at actual or estimated cost (see 4. below) or, in the case of gifts and contributions, at the fair market value at the time received. Depreciation has been calculated and recorded. General long-term debt liabilities are recorded at the par value of the principal amount: No liability is recorded for interest payable to maturity. Compensated absences are recorded at current salary rates.

iv. ***GASB Compliance*** - The Village has elected to apply all GASB pronouncements, applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The Village implemented GASB Statement No 45 beginning with the year ending May 31, 2010. This statement establishes standards for the measurement, recognition and display of other post-employment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

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

d. Property Taxes

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

Unpaid village taxes and non-city school district taxes are turned over to the county for enforcement. Any such taxes remaining unpaid on November 1 are relevied as county taxes in the subsequent year.

e. Budgetary Data

i. **Budget Policies** - The budget policies are as follows:

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

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

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

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

ii. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, may be employed in the operating funds (General, Sewer). Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Encumbrances for such commitments are recorded in the period in which the liability is incurred. Encumbrances are reversed and replaced by the actual expenditure when paid. The Village does not currently use encumbrance accounting.

iii. Budget Basis of Accounting

Budgets are adopted annually on a basis consistent with generally accepted accounting practices prescribed by New York State to demonstrate compliance with the State's regulatory basis of accounting and budget laws. Appropriations authorized for the current year are increased by any encumbrances carried forward from the prior year. There were no outstanding encumbrances at May 31, 2017

f. Changes in Accounting Policies

The Village made no changes in accounting policies.

g. Notes Payable

The Village of Spencerport accounts for short-term notes payable (for which all necessary legal steps have not been taken to refinance); by reporting these notes payable as a fund liability in the fund receiving the proceeds as required by GASB Cod. Sec. B50. All such notes are recorded as short-term liabilities in the Capital Projects Fund H626 Bond Anticipation Notes Payable account or in the Enterprise Electric Fund E626 Bond Anticipation Notes Payable. As of year-end 5/31/2017 there was no outstanding Notes Payable.

h. Cash and Cash Equivalents

The Village's cash and cash equivalents consists of cash on hand and demand deposits, and may include short term investments with original maturities of three months or less from date of acquisition. The village held no investments during fiscal year 2016-2017.

i. Inventory

Inventory is valued at cost utilizing the average cost inventory valuation method for the proprietary (Electric) fund, and is expensed when purchased for the governmental funds.

j. Insurance

The Village of Spencerport assumes the liability for most risk including, but not limited to, torts, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Settled claims from these risks have not exceeded commercial insurance coverage for the past four fiscal years.

k. Compensated Absences

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

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

Vested vacation and accrued compensation time is recorded in proprietary fund as a liability and expense and in governmental funds as a fund liability and expenditure if payable from current resources. The liability for compensated absences increased by $18,556 during the year to $103,530 and is reported in the proprietary (Electric) funds ($38,039) and in the Schedule of Non-Current Government Liabilities ($65,491).

l. Post-Retirement Benefits

In addition to providing pension benefits, the Village of Spencerport provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the Village of Spencerport's employees may become eligible for these benefits if they reach normal retirement age while working for the Village of Spencerport. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Village of Spencerport recognizes the cost of providing benefits by recording its share of insurance premiums as expenditure in the year paid.

During the year, $369,295 was paid by the Village on behalf of 23 retirees and 22 active employees and is recorded as expenditure in the General, Sewer and Electric funds. The cost of providing benefits for the retirees is not separable from the cost of providing benefits for the active employees.

See note III,B.,2. for plan description and funding policy.

m. Contributed Capital

Proprietary fund type contributed capital is recorded at the fair market value of the related assets at the date received.

II. Stewardship, Compliance, Accountability

a. Material Violations of Finance-Related Provisions

The Village of Spencerport has not knowingly committed any violations of finance-related provisions.

b. Deficit Fund Balances

The Village of Spencerport did not have any negative fund balances.

c. Overdrawn Appropriations

The Village of Spencerport had no overdrawn appropriations as of May 31, 2017.

III. Detail Notes on All Funds and Account Groups

a. Assets

i. Cash and Investments

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

Collateral is required for demand deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral include obligations of the Village of Spencerport, New York State and its agencies and obligations of the State and its municipalities and school districts.

1. ***Deposits* –** All deposits, including certificates of deposit, are carried at cost. Interest is recognized when received. The BANK RECONCILIATION includes details on all Village Bank Accounts, with 5/31/2017 bank balances totaling $3,355,875. Deposits at year end were entirely covered by federal depository insurance or by collateral provided by the Village of Spencerport's primary bank, M&T Bank.

2. ***Investments* –** Investments are stated at cost plus accrued interest. The Village of Spencerport did not have any non-cash investments on May 31, 2017.

ii. <u>Receivables</u>

Major revenues accrued by the Village at May 31, 2017 include the following:

General Fund	Miscellaneous Receivables	$	9,991
	Commercial Refuse Services Receivables	$	-
	Total General Fund	$	9,991
Sewer Fund	Sewer Rents Receivables	$	1,997
Electric Fund	Electric Services Receivables - Consumers	$	280,218
	Other Consumer Receivables	$	186,303
	Allowance for Uncollectible Accounts	$	(10,000)
	Other Miscellaneous Receivables	$	82,478
	Total Electric Fund	$	538,999

iii. <u>Property, Plant and Equipment - General</u>

Fixed assets purchased for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at actual original cost (equipment, land and land improvements) or appraised value (buildings) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received.

Fixed assets consisting of certain infrastructure type improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the Village of Spencerport. Therefore, the purposes of stewardship for capital expenditures can be satisfied without recording these assets.

No new appraisal of fixed assets was done in 2016-2017 fiscal year.

iv. Property, Plant and Equipment - Proprietary Funds

Property, plant and equipment acquired by the proprietary fund is stated at cost (or estimated historical cost), including interest capitalized during construction, where applicable. Contributed fixed assets are recorded at fair market value at the date received. Depreciation is calculated using the straight-line method over the estimated useful lives.

v. Changes in Capital Assets

A summary of changes in fixed assets follows:

Governmental	Balance 05/31/2016	Additions	Deletions	Balance 05/31/2017
Land	$ 1,332,136	$ -	$ -	$ 1,332,136
Buildings	2,215,652	-	-	2,215,652
Improvements other than buildings	350,616	-	-	350,616
Machinery & Equipment	2,102,423	333,312	(209,388)	2,226,347
Construction in progress	-	-	-	-
Total	**$ 6,000,827**	**$ 333,312**	**$ (209,388)**	**$ 6,124,751**
Electric Fund				
Land	$ 6,566	$ -	$ -	$ 6,566
Building	471,054	-	-	471,054
Construction in Progress	7,000	10,000	-	17,000
Other Improvements	8,661,770	726,935	344,989	9,043,716
Machinery & Equipment	1,103,539	4,680	-	1,108,219
Less contributed capital	(1,278,624)	(25,820)	-	(1,304,444)
Less Accumulated Depreciation	(6,359,857)	(392,140)	(27,518)	(6,724,479)
Total	**$ 2,611,448**	**$ 323,655**	**$ 317,471**	**$ 2,617,632**

b. Liabilities

i. Pension Plan

1. Plan Description

The Village of Spencerport participates in the New York State and Local Employees Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute, and benefits to employees, are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of their funds. The System issues a publicly available financial report that includes financial statements and required supplementary information, which may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

ii. <u>Post-employment Benefits Other than Pensions</u>

1. Plan Description

The Village provides health care insurance benefit programs for most retired Village employees and, in certain instances, their dependents. All Village employees become eligible for such benefits when they attain certain age and service requirements while employed by the Village. As of May 31, 2017, the Village provided health care insurance to current retirees or their dependents.

2. Reporting Requirements

Beginning with the fiscal year ended May 31, 2010, the Village reports its post-employment benefits in accordance with Governmental Accounting Standards Statement No. 45 (GASB No. 45). GASB No. 45 views a post-employment benefit plan as a deferred compensation arrangement, whereby an employer promises to exchange future benefits for employees' current services. GASB No. 45 specifies that accounting for these benefits should be determined under an accrual basis, where the expected value of the benefit is actuarially calculated and recognized as a cost over the working lifetime of employees.

a. Funding Policy

Currently, the Village's cost of its post-employment benefits program is determined on a pay-as-you-go basis and is; therefore, unfunded. During fiscal year 2017, premiums paid by the Village on behalf of current retirees and their spouses totaled $88,880.

*Annual OPEB Cost and Net OPEB Obligation. T*he Village's annual other post-employment benefit (OPEB) cost is calculated based on the *annual required contribution of the employer (ARC).* The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Village's annual OPEB cost for the year ended May 31, 2017, the amount actually contributed to the plan, and changes in the Village's net OPEB obligation to the Plan:

Annual required contribution	195,970	
Interest on net OPEB obligation	21,185	
Adjustment to Annual Required Contribution	(22,879)	
Annual OPEB cost (based on 2017 actuarial analysis)	194,276	
Less Actual contributions made	(88,880)	
Increase in Net OPEB Obligation	105,396	
Net OPEB obligation, beginning of year	210,792	
Net OPEB obligation, end of year	635,022	(a)

(a) The Electric Fund's allocated share of the net OPEB obligation at May 31, 2017 is $299,583. The remaining obligation, totaling $335,439 has been reported in the General Long-Term Debt Account Group.

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
05/31/2017	194,276	45.7%	635,022

Funded Status and Funding Progress. As of May 31, 2017, the actuarial accrued liability for benefits was $3,313,528, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was $1,122,846, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 295.10 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of costs to the employer to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Actuarial computations under GASB No. 45 were provided by Burke Group, the Village's independent actuaries for the year ended May 31, 2017. In accordance with GASB No. 45, as a small governmental entity, management can elect to have this liability determined by an actuary on a bi-annual basis.

The following simplifying assumptions were made:

Retirement Age and Service Period for Active Employees – An employee must be eligible to retire under the New York State Employee's Retirement System and have at least 10 years of service with the Village, to be eligible for post-employment benefits.

Marital Status - 70% of both male and female employees are assumed to be married at retirement. Actual spousal information was used for retirees.

Surviving Spouses: Surviving spouses continue to receive coverage at the same contribution rate.

Mortality - Life expectancies were based on the 2003 National Center for Health Statistics combined rates, separate for males and females.

Termination Rates - Retirement rates consistent with GASB No. 45's abbreviated methodology were selected and are based on the experience of the Federal Employees Retirement System.

Retirement Rates - Employees are assumed to retire at the later of age 60 or first date of eligibility.

Healthcare Cost Trend Rate – The short term trend rates were based on the National Health Expenditure Projections 2008 – 2024, and reflect the impact of legislative changes in 2015 and future years. Long term trend rates were developed using the Society of Actuaries Getzen Long Term Healthcare Cost Trend Resource Model (updated July 2014).

Plan Costs – All active employees are assumed to continue their current coverage. At age 65, retirees are assumed to elect coverage under Medicare Blue Choice plan 50% of the time, and

Medicare Plan C 50% of the time.

Other Related Information
The remaining actuarial assumptions and methods used for the valuation of the Department's post-employment benefits program, as of 5/31/2017, were as follows:

Interest Rate:	4.00%
Salary Scale:	3.00%
Inflation Rate:	2.20%
Valuation Method:	Entry Age Normal Method
Amortization Method:	Level Percent of Pay, Open Group
Amortization Period:	30 years

iii. <u>Short-Term Debt</u>

Liabilities for bond anticipation notes (BAN's) are generally accounted for in the capital projects funds and the enterprise fund. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12-month period thereafter.

State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for period's equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

The Village issues Bond Anticipation notes (BAN's) in anticipation of proceeds from subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of the bonds, the capital projects funds.

There were no outstanding BAN's, and no interest expenditures related to short-term debt for the year ended May 31, 2017.

iv. <u>Long-Term Liabilities</u>

1. Outstanding obligations aggregated $5,234,483 for governmental funds and $781,430 for enterprise electric.

2. Serial Bonds -The Village of Spencerport borrows money in order to acquire land or equipment, or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are recorded in the Schedule of Non-Current

Governmental Liabilities or in the Enterprise Fund in the case of Electric Fund debt. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities. Bond interest expenditures in the governmental funds are recognized on a cash basis, and amounted to $106,041 for the year ended May 31, 2017. Enterprise fund debt is liquidated with enterprise income. Enterprise bond interest expense for the year amounted to $3,456.

3. Other Long-Term Liabilities - In addition to the above long-term debt, the Village had the following non-current liabilities:

- **a.** Compensated Absences – Represents the value of earned and unused portion of the liability for compensated absences.
- **b.** Other Post-Employment Benefits (OPEB) – Represents the non-current portion of the liability to current employees and retirees.
- **c.** ERS Pension Liability – Represents the Village's share of the NYS Employee Retirement System pension deficit.

4. **Summary of Long-Term Liabilities**

The following is a summary of long-term liabilities by fund as of 5/31/17:

	Governmental	Enterprise
Statutory Installment Bonds (EFC Sewer Fund)	4,485,000	-
Serial Bonds (Consolidated Bonds)	41,300	63,700
Total Bonds & Notes	**$ 4,526,300**	**$ 63,700**
Compensated Absences	65,491	38,039
Other Post-Employment Benefits	335,438	299,583
ERS Pension Liability	307,254	380,108
Total Long Term Liabilities	**$ 5,234,483**	**$ 781,429**

a. The following is a summary of changes in governmental long-term liabilities:

	OPEB	Bonds & Notes	Compensated Absences	ERS Pension Liability
Payable at 5/31/16	274,309	4,923,600	54,038	522,761
Additions	61,130	-	11,453	307,254
Deletions	-	397,300	-	522,761
Payable at 5/31/17	335,439	4,526,300	65,491	307,254

Additions and deletions to compensating absences and other post-employment benefits are netted, as it is impractical to determine these amounts separately.

b. Long Term Debt Maturity Schedule – the following is a statement of the serial bonds with corresponding maturity schedules:

Fund	Description	Original Date Issued	Amount	Interest Rate	Final Maturity Date	Balance
General	General Obligation	02/2008	$ 1,082,000	Varies	02/2019	$ 41,300
Sewer	EFC Clean Water	07/2011**	$ 6,530,000	2.44%*	04/2028	$ 4,485,000
Electric	General Obligation	02/2008	$ 635,300	Varies	02/2021	$ 63,700
					Total	**$ 4,590,000**

* Gross rates of 4.27% subject to subsidy from the New York State Environmental Facilities Corporation (EFC).
The terms of the EFC borrowings provide for an interest subsidy generated from a United States Environmental Protection Agency grant to the EFC.
** Original capital project debt incurred 8/08, refinanced by EFC 7/11

c. Debt Service - The following table summarizes the Village's future debt service requirements on all fund bonds as of May 31, 2017:

Year	Principal	Interest	Admin Fees
2018-2021	$ 1,615,000	$ 243,244	$ 39,285
2022-2026	$ 2,080,000	$ 230,687	$ 27,011
2027-2028	$ 895,000	$ 28,715	$ 3,362
Total	$ 4,590,000	$ 502,646	$ 69,658

c. **Interfund Activities** outstanding balances at May 31, 2017 were as follows:

	Interfund Receivable	Interfund Payable	Interfund Transfer In	Interfund Transfer Out
General Fund				10,000
Electric Fund				
Sewer Fund				5,000
Trust Fund				
Capital Fund			15,000	
Totals	**$ -**	**$ -**	**$ 25,000**	**$ 15,000**

Interfund items are miscellaneous transactions which were recognized at year end, and which will be repaid in the first quarter of 2018 Fiscal Year.

d. Reserves

Reserved fund equity for governmental funds and operating fund surplus for enterprise funds include capital reserve funds established for the following purposes:

Fund	Reserve	Balance End of Year
General	General Capital Reserve	$ 290,255
General	Computer Reserve	$ 21,132
General	Streets Reserve	$ 96,732
General	Equipment Reserve	$ 206,884
General	Recycle Reserve	$ 75,189
General	Worker's Comp Reserve	$ 21,910
Sewer	Sewer Capital Reserve	$ 172,919
Sewer	Equipment Reserve	$ 238,678
Electric	Electric Depreciation	$ 85
	Total Reserves	**$ 1,123,784**

IV. General Information and Pension Plans

a. General Information About Pension Plan

i. Plan Description

The Village participates in the New York State Local Employees' Retirement System (ERS) which is 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. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). 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 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, New York 12244.

ii. Benefits Provided

The System provides retirement benefits as well as death and disability benefits.

1. Tier 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

2. Tier 3, 4, 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4, and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of wages earned in the three highest consecutive years. For Tier 3, 4, and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

3. <u>Tier 6</u>

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age of Tier 6 is 63 for ERS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four year.

4. <u>Special Plans</u>

The 25-Year Plans allow a retirement after 25 years of service with a benefit of one-half of final average salary, and the 20-Year Plans allow a retirement after 20 years of service with a benefit of one-half of final average salary. These plans are available to sheriffs and correction officers.

5. <u>Ordinary Disability Benefits</u>

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

6. Accidental Disability Benefits

For all eligible Tier 1 and Tier 2 ERS and PFRS members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any Workers' Compensation benefits received. The benefit for eligible Tier 3, 4, 5, and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

7. Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first $50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

8. Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for ten years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed $18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

iii. Contributions

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) who generally contribute 3 percent of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly, used in computing the employers' contributions based on salaries paid during the Systems' financial year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

Due Date		ERS
05/31/2017	$	208,292
05/31/2016	$	244,868
05/31/2015	$	259,612

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

At May 31, 2017, the Village reported a liability of $529,749 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At May 31, 2017, the Village's proportion was 0.0056379 percent.

For the year ended May 31, 2017 the Village recognized pension expense of $298,823. At May 31, 2017, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	$	13,275	$	80,445
Changes of assumptions		180,982		-
Net difference between projected and actual earnings on pension plan investments		105,812		-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions		1,973		16,084
Grand Total	**$**	**302,042**	**$**	**96,529**

$302,042 reported as deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended May 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year	Amount
2018	95,642
2019	95,642
2020	88,134
2021	(73,905)
2022	-
Thereafter	-
Total	**$ 205,513**

i. Actuarial Assumptions

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

	ERS
Measurement date	March 31, 2017
Actuarial valuation date	May 31, 2017
Interest rate	7.00%
Salary scale	3.00%
Decrement tables	April 1, 2010- March 31, 2015 System's Experience
Inflation rate	2.20%
COLA's	1.30%

For ERS, annuitant mortality rates are based on Society of Actuaries Scale MP-2014 System's experience with adjustments for mortality improvements based on MP-2017. For TRS, annuitant mortality rates are based on plan member experience adjustments for mortality improvements based on Society of Actuaries Scale AA.

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as follows:

Long Term Expected Rate of Return

	ERS
Measurement date	March 31, 2017
Asset Type -	
Cash	-0.25%
Inflation-index bonds	1.50%
Domestic equity	4.55%
International equity	6.35%
Real estate	5.80%
Alternative investments	0.00%
Domestic fixed income securities	0.00%
Global fixed income securities	0.00%
Bonds/mortgages	1.31%
Short-term	0.00%
Private equity	7.75%
Absolute return strategies	4.00%
Opportunistic portfolios	5.89%
Real assets	5.54%

ii. **Discount Rate**

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

iii. **Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption**

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

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability (asset)	$ 1,691,913	$ 529,749	$ (452,859)

iv. Pension Plan Fiduciary Net Position

The components of the current year net pension liability of the employers as of the March 31, 2017, were as follows:

	(In Thousands) ERS
Measurement date	March 31, 2017
Employers' total pension liability	$ 177,400,586
Plan net position	168,004,363
Employers' net pension asset/(liability)	$ (9,396,223)
Ration of plan net position to the employers' total pension asset/(liability)	94.70%