

Village of Fairport, New York

Financial Report

May 31, 2018

Village of Fairport, New York

Financial Report

May 31, 2018

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Independent Auditor's Report

Mayor and Board of Trustees
Village of Fairport, New York
Fairport, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Fairport, New York (Village) as of and for the year ended May 31, 2018, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village as of May 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of funding progress - other postemployment benefits, schedule of proportionate share of the net pension liability, and schedule of pension contributions on pages 39 through 42 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 the 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 an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2018, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

BST & CO. CPAs, LLP

Albany, New York
November 9, 2018



Village of Fairport, New York

Statement of Net Position

	May 31, 2018		
	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and equivalents	\$ 2,989,990	\$ 2,971,042	\$ 5,961,032
Cash and cash equivalents, restricted	1,183,838	4,665,735	5,849,573
Receivables			
Accounts, net	20,783	794,584	815,367
Due from other governments	298,162	-	298,162
State and federal receivables	17,539	-	17,539
Inventory	-	914,309	914,309
Prepaid expenses	170,437	504,693	675,130
Other assets	325	-	325
Internal balances	27,395	(27,395)	-
Total current assets	<u>4,708,469</u>	<u>9,822,968</u>	<u>14,531,437</u>
NONCURRENT ASSETS			
Land, construction in progress	702,357	1,947,353	2,649,710
Buildings, machinery, equipment, and infrastructure, net	18,948,098	24,068,654	43,016,752
Total noncurrent assets	<u>19,650,455</u>	<u>26,016,007</u>	<u>45,666,462</u>
Total assets	<u>24,358,924</u>	<u>35,838,975</u>	<u>60,197,899</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,433,080</u>	<u>1,001,086</u>	<u>2,434,166</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable and other current liabilities	171,331	1,359,244	1,530,575
Interest payable	2,742	13,348	16,090
Advance billings and payments	-	623,377	623,377
Due to other governments	72,031	111,697	183,728
Customer deposits	-	289,905	289,905
Current maturities of bonds payable	200,000	577,500	777,500
Current maturities of notes payable	-	274,980	274,980
Total current liabilities	<u>446,104</u>	<u>3,250,051</u>	<u>3,696,155</u>
NONCURRENT LIABILITIES			
Bonds payable	1,465,000	8,662,250	10,127,250
Notes payable	-	143,464	143,464
Compensated absences	32,501	28,190	60,691
Net pension liability	567,096	181,500	748,596
Other postemployment benefits	1,684,172	968,067	2,652,239
Total noncurrent liabilities	<u>3,748,769</u>	<u>9,983,471</u>	<u>13,732,240</u>
Total liabilities	<u>4,194,873</u>	<u>13,233,522</u>	<u>17,428,395</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,577,773</u>	<u>594,804</u>	<u>2,172,577</u>
NET POSITION			
Net investment in capital assets	17,985,455	16,357,813	34,343,268
Restricted for			
Capital improvements	951,873	3,992,383	4,944,256
Insurance	28,770	-	28,770
Other	203,195	383,447	586,642
Unrestricted	850,065	2,278,092	3,128,157
Total net position	<u>\$ 20,019,358</u>	<u>\$ 23,011,735</u>	<u>\$ 43,031,093</u>

See accompanying Notes to Financial Statements.

Village of Fairport, New York

Statement of Activities

Year Ended May 31, 2018

Functions/Programs	Program Revenue				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES							
General government support	\$ 1,226,544	\$ 148,769	\$ 165,217	\$ -	\$ (912,558)	\$ -	\$ (912,558)
Public safety	2,439,550	810,134	40,231	-	(1,589,185)	-	(1,589,185)
Transportation	2,527,506	-	-	41,684	(2,485,822)	-	(2,485,822)
Economic opportunity and assistance	37,535	-	-	-	(37,535)	-	(37,535)
Culture and recreation	93,125	62,130	-	-	(30,995)	-	(30,995)
Home and community services	856,745	15,567	59,800	-	(781,378)	-	(781,378)
Interest on long-term debt	35,908	-	-	-	(35,908)	-	(35,908)
Total governmental activities	7,216,913	1,036,600	265,248	41,684	(5,873,381)	-	(5,873,381)
BUSINESS-TYPE ACTIVITIES							
Electric	22,432,000	23,523,601	-	-	-	1,091,601	1,091,601
Total government	\$ 29,648,913	\$ 24,560,201	\$ 265,248	\$ 41,684	(5,873,381)	1,091,601	(4,781,780)
GENERAL REVENUES							
Real property tax and related tax items					2,768,901	-	2,768,901
Non-property taxes					1,680,352	-	1,680,352
Other general revenue items					-	26,052	26,052
Miscellaneous local sources					276,627	-	276,627
Sale of property and compensation for loss					17,389	-	17,389
Use of money and property					216,319	61,999	278,318
Total general revenues					4,959,588	88,051	5,047,639
CHANGE IN NET POSITION					(913,793)	1,179,652	265,859
NET POSITION, beginning of year					20,933,151	21,832,083	42,765,234
NET POSITION, end of year					\$ 20,019,358	\$ 23,011,735	\$ 43,031,093

See accompanying Notes to Financial Statements.

Village of Fairport, New York

Balance Sheet - Governmental Funds

	May 31, 2018		
	General	Non-Major Funds	Total
ASSETS			
Cash and cash equivalents	\$ 2,402,176	\$ 587,814	\$ 2,989,990
Cash and cash equivalents, restricted	1,159,748	24,090	1,183,838
Accounts receivable	16,390	4,393	20,783
Due from other governments	298,162	-	298,162
Due from other funds	47,833	43,087	90,920
Due from State and Federal governments	17,539	-	17,539
Prepaid expenses	170,437	-	170,437
Other assets	-	325	325
	-	325	325
Total assets	\$ 4,112,285	\$ 659,709	\$ 4,771,994
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 156,978	\$ 14,353	\$ 171,331
Due to other governments	72,031	-	72,031
Due to other funds	63,455	70	63,525
	292,464	14,423	306,887
FUND BALANCES			
Nonspendable	170,437	-	170,437
Restricted	1,159,748	22,769	1,182,517
Committed	-	500,874	500,874
Assigned	-	121,643	121,643
Unassigned	2,489,636	-	2,489,636
Total fund balances	3,819,821	645,286	4,465,107
Total liabilities and fund balances	\$ 4,112,285	\$ 659,709	\$ 4,771,994

Village of Fairport, New York

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

	<u>May 31, 2018</u>
Total fund balances in the fund financial statements for the governmental funds	\$ 4,465,107
This amount differs from the amount of net position shown in the statement of net position due to the following:	
Capital assets are included as assets in the government-wide statements and are added, net of accumulated depreciation.	19,650,455
Some liabilities (listed below) are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable	(1,665,000)
Interest payable	(2,742)
Compensated absences	(32,501)
Net pension liability, net of deferred amounts	(711,789)
Other postemployment benefits	(1,684,172)
	<u>(4,096,204)</u>
Total net position, end of year	<u>\$ 20,019,358</u>

Village of Fairport, New York

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

	Year Ended May 31, 2018		
	General	Non-Major Funds	Total
REVENUES			
Real property taxes	\$ 2,651,018	\$ -	\$ 2,651,018
Real property tax items	117,883	-	117,883
Non-property tax items	1,680,352	-	1,680,352
Departmental revenues	52,488	-	52,488
Intergovernmental charges	847,426	-	847,426
Use of money and property	207,140	9,179	216,319
Fines and forfeitures	30,150	-	30,150
Licenses and permits	7,505	-	7,505
Sale of property and compensation for loss	17,389	-	17,389
Miscellaneous local sources	272,967	3,660	276,627
Interfund revenues	109,594	-	109,594
State aid	308,250	-	308,250
Federal aid	59,800	-	59,800
Total revenues	6,361,962	12,839	6,374,801
EXPENDITURES			
General government support	842,228	33,751	875,979
Public safety	1,508,864	523,981	2,032,845
Transportation	730,365	230,274	960,639
Economic opportunity and assistance	22,424	4,995	27,419
Culture and recreation	68,026	-	68,026
Home and community services	599,999	12,247	612,246
Employee benefits	1,401,814	-	1,401,814
Debt service			
Principal	-	205,000	205,000
Interest	-	43,725	43,725
Total expenditures	5,173,720	1,053,973	6,227,693
Excess (deficiency) of revenues over expenditures	1,188,242	(1,041,134)	147,108
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	966,617	966,617
Operating transfers out	(966,617)	-	(966,617)
	(966,617)	966,617	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	221,625	(74,517)	147,108
FUND BALANCES, beginning of year	3,598,196	719,803	4,317,999
FUND BALANCES, end of year	\$ 3,819,821	\$ 645,286	\$ 4,465,107

See accompanying Notes to Financial Statements.

Village of Fairport, New York

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities

		<u>Year Ended May 31, 2018</u>
Net change in fund balances shown for total governmental funds	\$	147,108
<p>This amount differs from the change in net position shown in the statement of activities because of the following:</p>		
<p>Capital outlays for acquisition of capital assets are recorded in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which expenditures for acquisition of capital assets exceeded depreciation expense for the period.</p>		
Capital asset additions	517,592	
Gain/loss on disposal of assets	(18,980)	
Depreciation expense	<u>(1,413,678)</u>	(915,066)
<p>Other postemployment obligations and the net pension liability are not reported in the governmental funds. This liability is shown in the statement of net position as a noncurrent liability and in the statement of activities as an expense.</p>		
		(288,207)
<p>Bond principal payments are shown as expenditures in the governmental funds. These payments are shown in the statement of net position as a reduction of the related liabilities, and not shown as an expense in the statement of activities. This is the payment amount for the current year.</p>		
		205,000
<p>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditure is reported when due.</p>		
		7,817
<p>Deferred inflows of resources related to Village revenues collected after year-end, but not soon enough to pay for current period expenditures are deferred in the funds.</p>		
		(71,681)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds; this includes compensated absences (vacation and sick leave).</p>		
		<u>1,236</u>
Change in net position of governmental activities shown in the statement of activities	\$	<u>(913,793)</u>

Village of Fairport, New York
Statement of Net Position - Enterprise Fund

	May 31, 2018
	Electric Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS	
Cash and cash equivalents	\$ 2,971,042
Cash and cash equivalents, restricted	4,665,735
Accounts receivable, net	794,584
Due from other funds	20,368
Inventory	914,309
Prepaid expenses	504,693
Total current assets	9,870,731
NONCURRENT ASSETS	
Capital assets, net	26,016,007
Total assets	35,886,738
DEFERRED OUTFLOWS OF RESOURCES	
Pension resources	582,642
Other	418,444
Total deferred outflows of resources	1,001,086
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable	1,225,713
Accrued interest payable	13,348
Accrued payroll related expenses	40,544
Customer deposits	289,905
Due to other funds	47,763
Due to other governments	111,697
Advanced billing and payments	623,377
Other accrued liabilities	92,987
Bonds payable, due within one year	577,500
Notes payable, due within in one year	274,980
Total current liabilities	3,297,814
NONCURRENT LIABILITIES	
Bonds payable	8,662,250
Notes payable	143,464
Compensated absences	28,190
Net pension liability	181,500
Other postemployment benefits	968,067
Total noncurrent liabilities	9,983,471
Total liabilities	13,281,285
DEFERRED INFLOWS OF RESOURCES	
Pension resources	573,852
Other	20,952
Total deferred inflows of resources	594,804
NET POSITION	
Net investment in capital assets	16,357,813
Restricted	4,375,830
Unrestricted	2,278,092
Total net position	\$ 23,011,735

See accompanying Notes to Financial Statements.

Village of Fairport, New York

Statement of Revenues, Expenses, and Changes in Net Position - Enterprise Fund

	<u>Year Ended May 31, 2018 Electric Fund</u>
OPERATING REVENUES	
Charges for services	\$ 23,523,601
OPERATING EXPENSES	
Personal services	2,471,725
Employee benefits	771,140
Contractual expenses	
Administration and other support	1,183,052
Services, supplies, and operations	16,181,172
Depreciation	1,646,864
Total operating expenses	<u>22,253,953</u>
Operating income	<u>1,269,648</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	8,100
Other revenue	26,052
Rental revenue	53,899
Interest expense	(178,047)
Total nonoperating expenses	<u>(89,996)</u>
Change in net position	1,179,652
NET POSITION, <i>beginning of year</i>	<u>21,832,083</u>
NET POSITION, <i>end of year</i>	<u><u>\$ 23,011,735</u></u>

Village of Fairport, New York
Statement of Cash Flows - Enterprise Fund

	Year Ended May 31, 2018
	Electric Fund
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Cash received from providing services	\$ 23,159,559
Cash payments for contractual expenses	(16,132,258)
Cash payments for personal services	(2,576,506)
Cash payments for employee benefits	(1,529,546)
	2,921,249
NET CASH PROVIDED BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES	
Other revenue	26,052
Rental revenue	53,899
	79,951
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	
Repayment of BAN	(2,235,000)
Proceed from bonds payable	5,850,000
Principal payments on bonds and notes	(637,395)
Interest expense	(169,967)
Acquisition of capital assets	(3,190,678)
	(383,040)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	
Interest income	8,100
	8,100
Net increase in cash and cash equivalents	2,626,260
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	5,010,517
CASH AND CASH EQUIVALENTS, <i>end of year</i>	\$ 7,636,777
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	\$ 1,269,648
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation	1,646,864
Loss on disposition of capital assets	790,451
Change in assets and liabilities	
Prepaid expenses	15,924
Accounts receivable	(326,475)
Inventory	(7,760)
Deferred outflows of resources	272,505
Accounts payable and accrued expenses	(161,770)
Accrued other postemployment benefits	(51,480)
Advances to/from other Village funds	21,014
Customer deposits	57,979
Accrued payroll related expenses	(104,781)
Advanced payments and billings	(37,567)
Other liabilities	(247,025)
Due to other governments	13,010
Net pension liability	(668,586)
Compensated absences	(740)
Deferred inflows of resources	440,038
	\$ 2,921,249

See accompanying Notes to Financial Statements.

Village of Fairport, New York

Statement of Fiduciary Net Position - Fiduciary Fund

	<u>May 31, 2018</u> <u>Trust and</u> <u>Agency</u>
ASSETS	
Cash and cash equivalents	<u>\$ 16,041</u>
LIABILITIES	
Agency liabilities	<u>\$ 16,041</u>

Village of Fairport, New York

Notes to Financial Statements May 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies

The accompanying basic financial statements of the Village of Fairport, New York (Village) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) for governments. Such principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the standard-setting body for establishing government accounting and financial reporting principles in the United States of America.

The basic financial statements have been prepared primarily from accounts maintained by the Village Treasurer. Additional data has been derived from reports prescribed by the Village Treasurer and other Village departments.

a. Financial Reporting Entity

The Village was incorporated in 1867 and is governed by Village Law, 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 Village Treasurer serves as the Chief Fiscal Officer.

The following basic services are provided: police, fire, sanitary and storm sewers, street maintenance, snow removal, sidewalks, garbage and refuse collection, and electric.

All governmental activities and functions performed for the Village 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, (b) organizations for which the Village is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the Village are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

The decision to include a potential component unit in the Village's reporting entity is based on several criteria set forth by GASB, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities excluded from the Village's reporting entity:

The Fairport Urban Renewal Agency, Industrial Development Agency and Local Development Corporation are Public Benefit Corporations (PBC) created by state legislation to promote the economic welfare, recreation of opportunities, and prosperity of Village inhabitants. Members of the PBCs are appointed by the Board of Trustees, but the Board of Trustees exercises no oversight responsibility. PBC members have complete responsibility for management of the PBCs and accountability for fiscal matters. The Village is not liable for PBC bonds or notes.

b. Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Village. The effect of interfund activity within the governmental and business-type activities has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Village of Fairport, New York

Notes to Financial Statements May 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

b. Government-Wide Financial Statements - Continued

The statement of net position presents the financial position of the Village at the end of its fiscal year. The statement of activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been allocated and are reported as direct program expenses of individual functions and programs. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; grants and contributions that are restricted to meeting the operational requirements of a particular function or segment; and capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Taxes and other items not included as program revenues are reported as general revenues, as required.

Separate statements are provided for governmental funds, the enterprise fund, and the fiduciary fund, even though the latter is excluded from the government-wide financial statements.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the enterprise funds are charges to customers for services. Operating expenses for the enterprise funds include the cost of services, administrative expenses, depreciation costs, and benefit costs. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

c. Fund Financial Statements

The accounts of the Village are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances/net position, revenues, expenditures/expenses, other financing sources (uses) and capital contributions. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The Village maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. The Village maintains a fiduciary fund, which is used to account for assets held in an agency capacity.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, reconciliations are presented on the pages following, which briefly explain the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation. The Village's resources are reflected in the fund financial statements in three broad fund categories in accordance with U.S. GAAP, as follows:

Village of Fairport, New York

Notes to Financial Statements May 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

c. Fund Financial Statements - Continued

Governmental Funds - Governmental funds are those through which most general government functions are financed. The acquisition, use, and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following is the Village's major governmental fund:

General Fund - constitutes the principal operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

The Village's non-major funds include Capital Projects, Permanent, and Debt Service.

Proprietary Funds - Proprietary funds reported by the Village are enterprise fund types. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private enterprises or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is necessary for management accountability. Enterprise funds are used to account for those operations that provide services to the public. The following is the Village's proprietary fund:

Electric Fund - is self-supporting through charges to customers in the Village's franchise area based on electric usage. The Electric Fund is subject to regulation by the State of New York Public Service Commission (PSC) with respect to wholesale power purchased, rate structure, accounting, and other matters.

Fiduciary Funds - Fiduciary funds are used to account for assets held by the Village in an agency capacity on behalf of others. The following is the Village's fiduciary fund:

Trust and Agency - is used to account for money (and/or property) received and held by the Village in the capacity of trustee, custodian, or agent.

d. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenue in the year in which they are earned. Grants, entitlements, and donations are recognized as revenue as soon as all eligibility requirements have been met.

Village of Fairport, New York

Notes to Financial Statements May 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

d. Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

Governmental fund financial statements are prepared 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 available when they are collected within the current period or collected within 120 days of the end of the current fiscal period. Receivables not expected to be collected within the next 120 days are offset by a deferred inflow of resources. Expenditures and related liabilities are generally recorded in the accounting period the liability is incurred to the extent it is expected to be paid within the next twelve months, with the exception of items covered by GASB Interpretation No. 6 (GASBI 6), *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. GASBI 6 requires that expenditures and liabilities, such as debt service, compensated absences, and claims and judgments be recorded in the governmental fund statements only when they mature or become due for payment within the period. Expenditure-driven grants are recognized as revenues when the qualifying expenditures have been incurred and all other grant requirements have been met. Nonexchange grants and subsidies are recognized as revenues when all requirements of the grant and/or subsidy have been satisfied.

In addition, PSC regulations require that the records for the Electric Fund be maintained in accordance with the *Uniform System of Accounts for Municipal Electric Utilities*. The financial statements of the Electric Fund are presented in a form prescribed by the Federal Energy Regulatory Commission (FERC) and the PSC. Operating revenues of the Electric Fund are determined based on customer usage and demand charged at base rates for each consumer class approved by the PSC. Purchased power costs incurred in excess of those costs included in the base rate calculation are passed on to the consumer at no profit or loss to the Electric Fund by means of a "Purchased Power Adjustment" (PPA) factor.

e. Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenditures/expenses, and other financing sources (uses) during the reporting period. Actual results could differ from those estimates.

f. Budgets

Budgets are adopted on the modified accrual basis for governmental funds as required by the State of New York. Annual appropriated budgets are adopted for the General Fund, which employs a budgetary process based on the constraints of grant budgets.

The Village employs the following budgetary procedures:

- i. No later than March 15, the budget officer submits a tentative budget to the Village Clerk for the fiscal year commencing the following June 1. The tentative budget includes proposed expenditures and the proposed means of financing for all operating funds for the Village.
- ii. After a public hearing is conducted to obtain taxpayer comments, but no later than May 15, the Village adopts the budget.

Village of Fairport, New York

Notes to Financial Statements May 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

f. Budgets - Continued

- iii. All revisions that alter appropriations of any department or fund must be approved by the Village Board. Unencumbered budgetary appropriations lapse at the close of each fiscal year, with the exception of capital projects.
- iv. Budgetary appropriations are established for individual capital projects through resolutions authorizing the corresponding Capital Projects Fund to be established which remain in effect for the life of the project.

g. Cash and Cash Equivalents

Cash and cash equivalents consist of cash and time deposits, which mature no more than three months after the date purchased.

The Village's investment policies are governed by State statutes and various resolutions of the Board of Trustees. Village monies must be maintained in demand accounts or certificates of deposit in a Federal Deposit Insurance Corporation (FDIC) insured commercial bank or trust company authorized to do business in New York State. Other permissible investments include obligations of the U.S. Treasury, U.S. Agencies, and New York State or its localities.

The Village is required to collateralize its cash deposits in excess of the FDIC limit. This collateral is in the form of government and government agencies' securities pledged by the bank, under a third-party trust agreement. As of May 31, 2018, the collateral was sufficient to secure the Village's deposits.

Restricted cash and cash equivalents are reserved for purposes stipulated by external parties and purposes established by the Board in accordance with General Municipal Law.

Restricted cash and cash equivalents are held by the Electric Fund for the following purposes:

Depreciation Fund - Transfers to this fund may be made up to, but not in excess of, the prior year's depreciation expense and are used for replacements of the utility plant. The balance in the Depreciation Fund was \$639,923 at May 31, 2018.

Customer Deposits Fund - The Electric Fund requires deposits from certain customers prior to providing service. Unused deposits are returned to customers when service is terminated. The balance of the Customer Deposits Fund was \$290,460 at May 31, 2018.

Energy Efficiency Reserve - The Electric Fund collects funds restricted for energy efficiency projects. The balance at May 31, 2018 was \$92,987.

Unspent Bond Proceeds - The Electric Fund created this account to segregate amounts from a bond issued in relation to an ongoing project. The balance at May 31, 2018 was \$3,642,365.

Restricted cash and cash equivalents are held by the General Fund for the following purposes:

Capital Reserve - The Capital Reserve is to fund future capital projects. The balance of the Capital Reserve was \$886,359 at May 31, 2018.

Insurance Reserve - This reserve was established to cover the deductibles of the Village's various insurance plans in the case of an emergency. The balance of the Insurance Reserve was \$28,770 at May 31, 2018.

Village of Fairport, New York

Notes to Financial Statements May 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

g. Cash and Cash Equivalents - Continued

Other Reserve - This reserve was established to hold assets seized by law enforcement during regular and special operations, until such time that it is determined the Village may retain the property. The balance of the Other Reserve was \$41,424 at May 31, 2018.

Workers' Compensation Reserve - Reserve to pay out workers' compensation claims. The balance at May 31, 2018 was \$203,195.

h. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

i. Accounts Receivable

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. The allowance for doubtful accounts in the Electric Fund at May 31, 2018 was \$11,507.

Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. An account receivable of the Electric Fund is considered to be past due if any portion of the receivable balance is outstanding for more than twenty days. Interest is charged on accounts receivable that are outstanding for more than one month at .125% per month and is recognized as it is charged. Interest continues to accrue while an account remains active. Once service is terminated and a final bill is issued, interest charges are suspended.

j. Inventory

Inventory of the Electric Fund is valued at the lower of cost or market with cost determined using a rolling average unit cost method. Inventory materials recovered and returned to stock in construction, maintenance, or the retirement of operating property are valued at current replacement prices. Each year, the inventory is reviewed for obsolescence, and an adjustment is made, if necessary, to record the affected inventory item at its fair value. There were no obsolete inventory items identified in the Electric Fund as of May 31, 2018.

Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed.

k. Capital Assets

Governmental Activities

Capital assets in governmental activities consist of land, buildings, machinery and equipment, and infrastructure and are used to carry out day-to-day government services. Capital assets are valued at historical cost or at an estimated historical cost where no historical records exist. Depreciation of capital assets for governmental funds is computed using the straight-line method of depreciation over useful lives of the asset, as the following schedule indicates:

Village of Fairport, New York

Notes to Financial Statements May 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

k. Capital Assets - Continued

Governmental Activities - Continued

Buildings	40 years
Machinery and equipment	5-40 years
Infrastructure	20-100 years

Electric Fund

Under the provisions of the *Uniform System of Accounts for Municipal Electric Utilities*, operating property is recorded at cost, including capitalized labor and overhead. Overhead costs include fringe benefits, warehouse, and truck costs. Operating property constructed with capital fees received from customers or other parties is included in utility plant. When operating property is retired, the book cost, together with the cost of removal, is charged to accumulated depreciation.

The provision for depreciation has been computed, based on asset groups, under the straight-line method utilizing rates approved by the Electric Fund. These rates range from 1.7% to 12.5% per annum and are within the ranges recommended by the Federal Energy Regulatory Commission (FERC) and the PSC.

Repairs and Maintenance Costs and Impairment of Long-lived Assets

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the operating property using the applicable depreciation methods.

Management periodically reviews long-lived assets for impairment to determine whether any events or circumstances indicate the carrying value of the assets may not be recoverable. No impairment was identified in 2018.

l. Deferred Outflows of Resources

The Village reports certain financial transactions that do not meet the definition of an asset or liability as a deferred outflow or deferred inflow of resources. Deferred outflows and deferred inflows of resources are reported in separate sections following assets and liabilities, respectively.

The Electric Fund has reported other deferred outflows of resources in the amount of \$418,444 that represent specific costs for vehicles that the New York Power Authority permits the Electric Fund to defer. These costs will be recovered by the Electric Fund through charges to the purchase power adjustment credit in future billing cycles.

Pension related deferred outflows of resources and deferred inflows of resources are reported in the governmental and business-type activities, and the respective enterprise funds.

m. Advanced Billings and Payments

Advanced billings and payments in the Electric Fund of \$623,377 represent the cumulative over collection of the Purchase Power Adjustment (PPA) applied to customer invoices. This amount was credited to customers through the PPA in June and July of 2018.

Village of Fairport, New York

Notes to Financial Statements May 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

n. *Compensated Absences*

Pursuant to a resolution of the Village Board and contractual agreements, Village employees are entitled to accrue a maximum of 200 days of sick leave and 5 days of vacation leave. Employees with at least 60 days of sick leave may be paid for a maximum of 8 days, and employees with at least 180 days of sick leave may be paid for a maximum of 14 days of sick leave at the rate of \$150 per day paid in the first pay period of June; but accumulated sick leave for purposes of these payments may not fall below 60 days. An individual who leaves the employment of the Village is entitled to be paid only for unused vacation leave. No payments are made for unused personal or sick leave. Members of the Village Police Department may accrue a maximum of 175 days of sick leave and 5 days of vacation leave. Police may be paid for a maximum of 8 days of personal, sick, and/or vacation leave at straight time in the pay check of the pay period containing the employee's anniversary date. The Village records the value of governmental fund type compensated absences in the governmental activities. The payment of compensated absences is dependent on many factors, and therefore, cannot be reasonably estimated as to future timing of payment. The annual budgets of the operating funds provide for such amounts as they become payable.

The liability for compensated absences was as follows:

Governmental funds	\$ 32,501
Proprietary funds	<u>28,190</u>
	<u>\$ 60,691</u>

o. *Net Position*

Net position is reported as restricted when constraints placed on net position use are either:

- a. Externally imposed by creditors (such as debt covenants), grantors, contributors, laws, or regulations of other governments, or
- b. Imposed by law through constitutional provisions or enabling legislation.

The following terms are used in reporting net position:

Net Investment in Capital Assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted consists of monies restricted for various purposes including capital improvements and insurance.

Unrestricted is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that is not included in the determination of net investment in capital assets or restricted components of net position described above.

Village of Fairport, New York

Notes to Financial Statements May 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

p. Fund Balance

Fund balance for governmental funds is reported in the following classifications which describe the relative strength of the constraints that control how specific amounts in the funds can be spent:

Nonspendable - Amounts that cannot be spent because they are either (a) not in spendable form, or (b) are legally or contractually required to be maintained intact.

Restricted - Amounts that have restraints that are either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action, such as legislation, resolution, or ordinance by the government's highest level of decision-making authority.

Assigned - Amounts that are constrained only by the government's intent to be used for a specified purpose but are not restricted or committed in any manner.

Unassigned - The residual amount in the General Fund after all of the other classifications have been established. In a Special Revenue Fund, if expenditures and other financing uses exceed the amounts restricted, committed, or assigned for those purposes, then a negative unassigned fund balance will occur.

The Village's fund balance policy is set by the Village Board, the highest level of decision-making authority. The Village Board considers "formal action" for a committed fund balance to be the passing of a Board resolution. The Board has delegated the ability to assign fund balance to the Treasurer. The Village considers fund balance spent in the order of restricted, committed, assigned, and unassigned.

Note 8 provides further details regarding the Village's fund balance classifications.

q. Property Taxes

Real property taxes are levied no later than May 15 and become a lien on June 1. The Village collects its own taxes. Taxes are collected during the month of June without penalty. A 5% penalty is assessed on taxes paid after July 1, and an additional 1% is assessed each month on taxes paid after July. Unpaid Village taxes are collected through tax sales.

r. Subsequent Events

The Village has evaluated subsequent events for potential recognition or disclosure through November 9, 2018, the date the financial statements were available to be issued.

s. Adoption of New Accounting Standard

GASB Statement No. 80, *Blending Requirements for Certain Component Units*. This statement provides clarity on how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government. The adoption of this accounting standard did not impact the Village's financial statements.

Village of Fairport, New York

Notes to Financial Statements May 31, 2018

Note 2 - Stewardship, Compliance, and Accountability

Village administration prepares a proposed budget for approval by the Board of Trustees for the General Fund, the only fund with a legally adopted budget. The budget is adopted annually on a basis consistent with U.S. GAAP. Appropriations are adopted at the program line item level. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year and any appropriated reserve funds. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur subject to legal restrictions if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

Note 3 - Capital Assets

The following is a summary of changes in the governmental activities' capital assets during the year:

	Balance at June 1, 2017	Additions	Disposals	Balance at May 31, 2018
<i>Depreciable assets</i>				
Buildings	\$ 2,976,842	\$ -	\$ -	\$ 2,976,842
Machinery and equipment	4,688,801	517,592	(57,456)	5,148,937
Infrastructure	46,462,687	-	-	46,462,687
Total capital assets	54,128,330	517,592	(57,456)	54,588,466
Accumulated depreciation	(34,265,166)	(1,413,678)	38,476	(35,640,368)
Total depreciable assets	19,863,164	(896,086)	(18,980)	18,948,098
<i>Non-depreciable assets</i>				
Land	702,357	-	-	702,357
Total capital assets, net	<u>\$ 20,565,521</u>	<u>\$ (896,086)</u>	<u>\$ (18,980)</u>	<u>\$ 19,650,455</u>

The following is a summary of changes in the proprietary funds' capital assets during the year:

	Balance at June 1, 2017	Additions	Retirements/ Adjustments	Balance at May 31, 2018
<i>Depreciable assets</i>				
Buildings	\$ 5,594,647	\$ -	\$ (1,309)	\$ 5,593,338
Machinery and equipment	3,934,426	291,936	(58,047)	4,168,315
Distribution, transmission, and other operational equipment	38,626,228	1,588,474	(1,500,413)	38,714,289
	48,155,301	1,880,410	(1,559,769)	48,475,942
Accumulated depreciation	(23,529,742)	(1,646,864)	769,318	(24,407,288)
Total depreciable assets, net	24,625,559	233,546	(790,451)	24,068,654
<i>Non-depreciable assets</i>				
Land	600,069	-	-	600,069
Construction in progress	37,016	1,310,268	-	1,347,284
Total non-depreciable assets	637,085	1,310,268	-	1,947,353
Total capital assets, net	<u>\$ 25,262,644</u>	<u>\$ 1,543,814</u>	<u>\$ (790,451)</u>	<u>\$ 26,016,007</u>

Village of Fairport, New York

Notes to Financial Statements May 31, 2018

Note 4 - Bond Anticipation Notes Payable

The following is a summary of changes in BANs payable:

Reported on	Balance at June 1, 2017	Additions	Disposals	Balance at May 31, 2018
NERC Ban	\$ 2,235,000	\$ -	\$ 2,235,000	\$ -

The Village's Electric Fund repaid its BAN using \$105,000 of resources on hand and \$2,130,000 from the proceeds of a public improvement bond issued in May 2018.

Note 5 - Noncurrent Liabilities

The following tables summarize changes in the Village's non-current liabilities:

Change in long-term liabilities - governmental activities:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 33,737	\$ -	\$ (1,236)	\$ 32,501	\$ -
Net pension liability	1,061,365	-	(494,269)	567,096	-
Other postemployment benefits	1,594,675	328,620	(239,123)	1,684,172	-
Bonds payable	1,870,000	-	(205,000)	1,665,000	200,000
Total	<u>\$ 4,559,777</u>	<u>\$ 328,620</u>	<u>\$ (939,628)</u>	<u>\$ 3,948,769</u>	<u>\$ 200,000</u>

Change in long-term liabilities - business type activities:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated absences	\$ 28,930	\$ -	\$ (740)	\$ 28,190	\$ -
Net pension liability	850,086	-	(668,586)	181,500	-
Other postemployment benefits	1,019,547	151,325	(202,805)	968,067	-
Notes payable	643,339	-	(224,895)	418,444	274,980
Bonds payable	3,802,250	5,850,000	(412,500)	9,239,750	577,500
Total	<u>\$ 6,344,152</u>	<u>\$ 6,001,325</u>	<u>\$ (1,509,526)</u>	<u>\$ 10,835,951</u>	<u>\$ 852,480</u>

Refer to Notes 6 and 7 for more information about the Village's net pension liability and other postemployment benefits, respectively.

Village of Fairport, New York

Notes to Financial Statements May 31, 2018

Note 5 - Noncurrent Liabilities - Continued

a. Bond Indebtedness

A summary of the Village's bond issues at May 31, 2018 is as follows:

Description	Issue Date	Maturity Date	Interest Rate	Balance
General Fund				
2016 Public Improvement Serial Bond	5/2017	5/2027	2.000%	\$ 945,000
2011 Public Improvement Refunding Serial Bond	12/2011	11/2022	2.000% - 3.000%	445,000
2011 Public Improvement Serial Bond	9/2011	5/2030	4.125% - 4.250%	275,000
				<u>1,665,000</u>
Electric Fund				
2018 Public Improvement Serial Bond	5/2018	5/2046	3.000% - 3.500%	5,850,000
2011 Public Improvement Refunding Serial Bond	12/2011	11/2022	2.000% - 3.000%	1,049,750
2011 Public Improvement Serial Bond	1/2014	4/2042	2.625% - 4.000%	2,340,000
				<u>9,239,750</u>
Total bonds payable				<u>\$ 10,904,750</u>

In May 2018, the Village issued a public improvement (serial) bond in the amount of \$5,850,000. Proceeds of \$2,130,000 were used to repay BANs, which resulted in monies of \$3,720,00 that will be used for construction and improvements to the Village's municipal electric system.

Interest expense on governmental activities debt was \$41,617 for the year ended May 31, 2018. Interest expense on business-type activities debt was \$178,047 for the year ended May 31, 2018.

The following is a summary of the future debt service requirements:

	Governmental Activities		
	Principal	Interest	Total
For the year ending May 31,			
2019	\$ 200,000	\$ 19,887	\$ 219,887
2020	200,000	17,378	217,378
2021	205,000	14,869	219,869
2022	200,000	12,309	212,309
2023	140,000	9,988	149,988
2024 through 2028	640,000	25,682	665,682
2029 through 2030	80,000	1,746	81,746
	<u>\$ 1,665,000</u>	<u>\$ 101,859</u>	<u>\$ 1,766,859</u>

Village of Fairport, New York

Notes to Financial Statements May 31, 2018

Note 5 - Noncurrent Liabilities - Continued

a. Bond Indebtedness - Continued

	Business-type Activities		
	Principal	Interest	Total
For the year ending May 31,			
2019	\$ 577,500	\$ 308,375	\$ 885,875
2020	572,500	291,050	863,550
2021	572,500	273,675	846,175
2022	578,250	256,634	834,884
2023	589,000	239,669	828,669
2024 through 2028	1,950,000	1,036,988	2,986,988
2029 through 2033	1,540,000	660,225	2,200,225
2034 through 2038	1,225,000	407,750	1,632,750
2039 through 2043	970,000	220,850	1,190,850
2044 through 2046	665,000	47,075	712,075
	\$ 9,239,750	\$ 3,742,291	\$ 12,982,041

b. Notes Payable

A summary of the Village's outstanding notes payable at May 31, 2018 is as follows:

Description	Issue Date	Maturity Date	Interest Rate	Balance
Electric Fund				
NYPA Loan 2013-14	2/2014	6/2019	0.000%	\$ 97,751
NYPA Loan 2015-16	1/2016	4/2042	0.000%	98,890
NYPA Loan 2016-17	5/2017	5/2020	0.000%	221,803
				\$ 418,444

The following is a summary of the future debt service requirements for notes payable:

For the year ending May 31,	
2019	\$ 274,980
2020	93,380
2021	50,744
	\$ 419,104

Village of Fairport, New York

Notes to Financial Statements May 31, 2018

Note 6 - New York State Retirement System

a. Plan Description and Benefits Provided

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 the New York State and Local Retirement System (the System). These are cost-sharing, multiple employer retirement systems. The net position of the System is held in the New York State Common Retirement Fund (Fund), which was established to hold all net assets and record changes in plan 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 (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 System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be obtained by writing to the New York State and Local Retirement System, 110 State Street Albany, New York 12244.

b. Plan Benefits

The System provides retirement benefits as well as death and disability benefits. Retirement benefits are established by the NYSRSSL and are dependent upon the point in time at which the employees last joined the System. The NYSRSSL has established distinct classes of membership. The System uses a tier concept within ERS and PFRS to distinguish these groups, as follows:

ERS

- Tier 1 - Those persons who last became members before July 1, 1973.
- Tier 2 - Those persons who last became members on or after July 1, 1973, but before July 27, 1976.
- Tier 3 - Generally, those persons who are State correction officers who last became members on or after July 27, 1976, but before January 1, 2010, and all others who last became members on or after July 27, 1976, but before September 1, 1983.
- Tier 4 - Generally, except for correction officers, those persons who last became members on or after September 1, 1983, but before January 1, 2010.
- Tier 5 - Those persons who last became members on or after January 1, 2010, but before April 1, 2012.
- Tier 6 - Those persons who first became members on or after April 1, 2012.

PFRS

- Tier 1 - Those persons who last became members before July 1, 1973.
- Tier 2 - Those persons who last became members on or after July 1, 1973, but before July 1, 2009.
- Tier 3 - Those persons who last became members on or after July 1, 2009, but before January 9, 2010.
- Tier 4 - Not applicable.
- Tier 5 - Those persons who last became members on or after January 9, 2010, but before April 1, 2012, or who were previously PFRS Tier 3 members who elected to become Tier 5.
- Tier 6 - Those persons who first became members on or after April 1, 2012.

Village of Fairport, New York

Notes to Financial Statements May 31, 2018

Note 6 - New York State Retirement System - Continued

b. Plan Benefits - Continued

Generally, members of ERS and PFRS may retire at age 55; however, members of Tiers 2, 3, and 4 will receive a reduced benefit if they retire before age 62 with less than 30 years of service. Tier 5 members must be 62 years of age with at least ten years of service credit to retire with full benefits. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members. Tier 6 members with 10 years of service or more can retire as early as age 55 with reduced benefits. A member with less than five years of service may withdraw and obtain a refund, including interest, of the accumulated employee contributions. Members who joined the System prior to January 1, 2010 generally need five years of service to be 100 percent vested. Members who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) need 10 years of service credit to be 100 percent vested.

Typically, the benefit for members in all Tiers within ERS and PFRS is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a Tier 1 or 2 member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. If a Tier 3, 4, or 5 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 Tier 3, 4, or 5 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. Final average salary for Tiers 1 through 5 is the average of the wages earned in the three highest consecutive years of employment. Each year used in the final average salary calculation is limited to no more than 20 percent of the previous year (Tier 1) or no more than 20 percent of the average of the previous two years (Tier 2). For Tier 3, 4, and 5 members, each year used in the final average salary calculation is limited to no more than 10 percent of the average of the previous two years. The benefit for Tier 6 members who retire with 20 years of service is 1.75 percent of final average salary for each year of service. If a Tier 6 member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied to each year of service over 20 years. The final average salary for a Tier 6 member is computed as the average of the wages earned in the five highest consecutive years. Each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

An automatic post-employment benefit is provided annually to pensioners who have attained age 62 and have been retired for five years; to pensioners who have attained age 55 and have been retired for ten years; to all disability pensioners, regardless of age, who have been retired for five years; to ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years; and 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 greater than 3 percent.

Village of Fairport, New York

Notes to Financial Statements May 31, 2018

Note 6 - New York State Retirement System - Continued

c. Funding Policy

Employee contribution requirements depend upon the point in time at which an employee last joined the System. Most Tier 1 and Tier 2 members of ERS, and most members of PFRS are not required to make employee contributions. Employees in Tiers 3, 4, and 5 are required to contribute 3 percent of their salary, however, as a result of Article 19 of the NYSRSSL, eligible Tier 3 and 4 employees who have ten or more years of membership or credited service within the System are not required to contribute. The Tier 6 contribution rate varies from 3 percent to 6 percent depending on salary. Tiers 5 and 6 members are required to contribute for all years of service. Members cannot be required to begin contributing or to make increased contributions beyond what was required when their memberships began.

Participating employers are required under the NYSRSSL to contribute to the System at an actuarially determined rate adopted annually by the Comptroller. The average contribution rate for ERS and PFRS for 2018 was approximately 13.4% and 24.4% of payroll, respectively. 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' year ending March 31.

The required contributions for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

<u>Year</u>	<u>ERS</u>	<u>PFRS</u>
2018	\$ 644,879	\$ 187,748
2017	617,750	180,984
2016	714,150	190,584

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

At May 31, 2018, the Village reported a liability of \$497,260 for its proportionate share of the net pension liability of the ERS and a liability of \$251,336 for its proportionate share of the net pension liability of the PFRS. The net pension liability was measured as of March 31, 2018, and the total pension liability was determined by an actuarial valuation as of April 1, 2017. The Village's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to the System's total actuarially determined employer contribution for the fiscal year ended on the measurement date.

At the March 31, 2018 measurement date, the Village's proportionate share in the ERS was 0.0154072% and the PFRS was 0.0248661%.

For the year ended May 31, 2018, the Village recognized pension expense of \$628,020 in the governmental funds and \$240,737 in the proprietary funds. At May 31, 2018, the Village reported deferred outflows of resources and deferred inflows of resources as follows (in thousands):

Village of Fairport, New York

Notes to Financial Statements May 31, 2018

Note 6 - New York State Retirement System - Continued

d. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions - Continued

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 216,068	\$ 159,853
Changes of assumptions	399,807	-
Net differences between projected and actual investment earnings on pension plan investments	662,043	1,314,952
Changes in proportion and differences between employer contributions and proportionate share of contributions	83,131	102,968
Contributions subsequent to the measurement date	72,031	-
Total	\$ 1,433,080	\$ 1,577,773
	Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 64,735	\$ 53,494
Changes of assumptions	120,349	-
Net differences between projected and actual investment earnings on pension plan investments	263,614	520,348
Changes in proportion and differences between employer contributions and proportionate share of contributions	47,784	10
Contributions subsequent to the measurement date	86,160	-
Total	\$ 582,642	\$ 573,852

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending May 31, 2019. Amounts recognized as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized as follows:

	Governmental Activities	Business-Type Activities	Total
Year ending May 31,			
2019	\$ 125,250	\$ 60,167	\$ 185,417
2020	90,158	43,298	133,456
2021	(289,854)	(124,728)	(414,582)
2022	(147,208)	(56,107)	(203,315)
2023	4,930	-	4,930
Total	\$ (216,724)	\$ (77,370)	\$ (294,094)

Village of Fairport, New York

Notes to Financial Statements May 31, 2018

Note 6 - New York State Retirement System - Continued

e. Actuarial Assumptions

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

Actuarial Cost Method	Entry age normal
Inflation Rate	2.5 percent
Salary Scale	
ERS	3.8 percent, indexed by service
PFRS	4.5 percent, indexed by service
Investment rate of return, including inflation	7.0 percent, compounded annually, net of expenses
Cost of living adjustments	1.3 percent
Decrement	Based on FY 2011 - 2015 experience
Mortality improvement	Society of Actuaries Scale MP-2014

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

Actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

f. Investment Asset Allocation

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 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 as of March 31, 2018 are summarized below:

Asset Type	Target Allocation	Long-Term Expected Real Rate
Domestic equity	36.00%	4.55%
International equity	14.00%	6.35%
Private equity	10.00%	7.50%
Real estate	10.00%	5.55%
Absolute return strategies	2.00%	3.75%
Opportunistic funds	3.00%	5.68%
Real assets	3.00%	5.29%
Bonds and mortgages	17.00%	1.31%
Cash	1.00%	-0.25%
Inflation-indexed bonds	4.00%	1.25%
	100.00%	

Village of Fairport, New York

Notes to Financial Statements May 31, 2018

Note 6 - New York State Retirement System - Continued

g. 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.

h. 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% and the impact of using a discount rate that is 1.0% higher or lower than the current rate:

	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Village's proportionate share of the net pension liability (asset)			
Governmental Activities	\$ 3,620,233	\$ 567,096	\$ (2,008,689)
Business-Type Activities	1,373,276	181,500	(826,695)

i. Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the New York State and Local Employees' Retirement System as of March 31, 2018 were as follows:

	(Dollars in Thousands)		
	Employees' Retirement System	Police and Fire Retirement System	Total
Employers' total pension liability	\$ 183,400,590	\$ 32,914,423	\$ 216,315,013
Plan net position	(180,173,145)	(31,903,666)	(212,076,811)
Employers' net pension liability	\$ 3,227,445	\$ 1,010,757	\$ 4,238,202
Ratio of fiduciary net position to total pension liability	98.2%	96.9%	98.0%

Village of Fairport, New York

Notes to Financial Statements May 31, 2018

Note 7 - Other Postemployment Benefits (OPEB)

a. Plan Overview

The Village provides certain health benefits subsequent to employment for eligible retirees by administering a single-employer defined benefit healthcare plan.

b. Contributions

Non-Police Employees

The Village contributes a fixed amount determined at retirement toward single or 2-person coverage for the later of 6 years, or until the retiree reaches age 65. For retirees whose 6 years of coverage extend beyond age 65, the Village contributes only to a Medicare supplement plan. Increases in premiums subsequent to employment are paid by the retirees.

Employees hired prior to January 1, 2006 must have 10 years of service at the Village and be qualified to retire under ERS to be eligible. Employees hired on or after January 1, 2006 must have 15 years of service at the Village and be qualified to retire under ERS to be eligible.

The Village's contribution for employees hired before January 1, 2006 is as follows:

<u>Years of Service</u>	<u>Village Pays</u>
10-14	50%
15 or more	100%

The Village's contribution for employees hired on or after January 1, 2006 is as follows:

<u>Years of Service</u>	<u>Village Pays</u>
15-19	75%
20 or more	100%

Police Employees

The Village contributes toward a base plan in effect at retirement until the retiree reaches age 65. Increases in premiums subsequent to employment are split equally between the retiree and the Village.

Employees must have 10 years of service at the Village and be qualified to retire under PFRS to be eligible.

The Village's contribution is as follows:

<u>Years of Service</u>	<u>Village Pays</u>
10-14	50%
15 or more	100%

Village of Fairport, New York

Notes to Financial Statements May 31, 2018

Note 7 - Other Postemployment Benefits (OPEB) - Continued

c. Funding Policy

The contribution requirements of plan members and the Village are established and may be amended by the Village Board. The Village is not required to fund the plan other than the pay-as-you-go amount necessary to provide current benefits to retirees. For the fiscal year ended May 31, 2018, the Village paid approximately \$264,000 on behalf of the plan members.

d. Annual OPEB Cost and Net OPEB Obligation

The annual required contribution (ARC) represents a level of funding, that if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. Amounts "required" but not actually set aside to pay for these benefits are accumulated with interest as part of the net OPEB obligation, after adjusting for amounts previously "required." The Village's actual OPEB cost for the year, the amount actually paid on behalf of the plan, and changes in the Village's OPEB obligation to the plan for the year ended May 31, 2018 are as follows:

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	\$ 196,862	\$ 113,157	\$ 310,019
Interest on net OPEB obligation	66,401	38,168	104,569
Adjustment to annual required contribution	<u>(71,709)</u>	<u>(41,219)</u>	<u>(112,928)</u>
Annual OPEB cost/expense	191,554	110,106	301,660
Contributions made (expected)	(167,413)	(96,230)	(263,643)
Change in allocation estimate	65,356	(65,356)	-
Net OPEB obligation, <i>beginning of year</i>	<u>1,594,675</u>	<u>1,019,547</u>	<u>2,614,222</u>
Net OPEB obligation, <i>end of year</i>	<u>\$ 1,684,172</u>	<u>\$ 968,067</u>	<u>\$ 2,652,239</u>

e. Actuarial 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 sharing of benefit costs between the employer and plan members 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.

The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical average retirement age for the covered group according to the New York State Retirement System schedule, active non-police plan members were assumed to retire from age fifty-five to seventy. Police plan members are assumed to retire from age fifty-nine and older.

Marital status - 70% of employees are assumed married. Females are assumed to be three years younger than males. Actual spouse coverage information was used for retirees where available.

Mortality - Adjusted RP-2000 mortality, 15% blue collar, 85% white collar weighed, separate for males and females, projected to fiscal year beginning using scale MP-2016.

Village of Fairport, New York

Notes to Financial Statements May 31, 2018

Note 7 - Other Postemployment Benefits (OPEB) - Continued

e. Actuarial Methods and Assumptions - Continued

Turnover - The 2003 Society of Actuaries small plan withdrawal, scaled 75% for police, was used as the basis for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums ranged from 5.2%, starting in 2016, to 6.2% in 2020, to the ultimate trend rate of 3.8% thereafter.

Health insurance premiums - Calendar year 2016 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Payroll growth rate - No salary increases were assumed since benefits are not based on compensation.

Based on the historical and expected returns of the Village's short-term investment portfolio, a discount rate of 4% was used. In addition, the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over a thirty-year period.

Note 8 - Fund Balance

Fund balance is as follows:

	General	Nonmajor
Nonspendable		
Prepaid expenses	\$ 170,437	\$ -
Restricted for		
Insurance reserve	28,770	-
Capital reserve	927,783	-
Other reserves	203,195	22,769
	1,159,748	22,769
Committed		
Capital projects	-	500,874
Assigned for		
Special revenue purposes	-	121,643
Unassigned	2,489,636	-
Total fund balance	\$ 3,819,821	\$ 645,286

Village of Fairport, New York

Notes to Financial Statements May 31, 2018

Note 9 - Finger Lakes Health Insurance Trust

The Village participates in the Finger Lakes Health Insurance Trust, a consortium of local municipalities, that competitively bids credible experience rated coverage for the members of the trust. The Village recognizes the cost of providing such benefits by recording its share of insurance premiums as an expenditure the year paid. During the year ended May 31, 2018, \$446,851 was paid by the governmental activities, and \$461,402 was paid by the Electric Fund on behalf of 60 employees and 9 retirees. The cost of providing benefits for retirees is not separable from the cost of providing benefits for active employees.

Note 10 - Interfund Transactions

Interfund balances are as follows at May 31, 2018:

Due From Other Funds	Due To Other Funds			Total
	General	Permanent	Electric	
General	\$ -	\$ 70	\$ 47,763	47,833
Capital Projects	43,087	-	-	43,087
Electric	20,368	-	-	20,368
	<u>\$ 63,455</u>	<u>\$ 70</u>	<u>\$ 47,763</u>	<u>\$ 111,288</u>
Transfers From General Fund	Transfers To Other Funds			
Permanent	\$ 5,040			
Capital Projects	774,801			
Debt Service	186,776			
	<u>\$ 966,617</u>			

Note 11 - Commitments

a. Power Supply and Transmission Contracts

Electric power distributed by the Electric Fund is obtained from the New York Power Authority (NYPA) under a supply contract which expires during 2025. The Electric Fund is entitled to a specific amount of kilowatts of firm hydroelectric power and associated energy. Demand, energy, and transmission charges under this contract are subject to change and approval of regulatory authorities. There are no minimum capacity or other fixed charge components to this contract. Electric purchases under this contract totaled \$5,279,736 for the year ended May 31, 2018.

The Village's Electric Fund also purchases power in excess of that supplied by NYPA from the New York Municipal Power Agency (NYMPA), a not-for-profit joint action organization of which the Village is a member, and National Grid. Electric purchases, transmission charges, and other related charges under these agreements totaled \$4,194,608 and \$3,203,412, respectively, for the year ended May 31, 2018.

Village of Fairport, New York

Notes to Financial Statements May 31, 2018

Note 11 - Commitments - Continued

b. New York Independent System Operators (NYISO)

NYISO is a not-for-profit corporation under the aegis of the Federal Electric Regulatory Commission, with responsibility to provide free access to the electric transmission facilities within New York State. All NYISO costs are billed to users of the electric transmission grid. Pricing is market based rather than cost based. NYISO charges totaled \$526,657 for the year ended May 31, 2018. These costs are included in electricity purchased.

c. Lease for Operation of Water System

The Village entered into a retail lease agreement for the operation of its water and distribution system with the Monroe County Water Authority on October 13, 2004. The forty (40) year lease requires the Monroe County Water Authority to assume responsibility and cost for all repairs and replacements done to the system. The Village retains sole rights to revenues derived from antennae lease agreements in place prior to the lease agreement and will share in any additional agreement after that date. The Authority also assumes the responsibility for payment of the bond associated with the Fairport Municipal Commission Operations building allocated to the water operations prior to the agreement.

d. Tax Abatements

A tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. The Village's tax abatement programs are substantially covered by related Payment in Lieu of Taxes (PILOT) agreements. The Village does not have any material PILOT agreements.

Note 12 - Accounting Pronouncements Issued But Not Yet Implemented

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes financial reporting standards for other postemployment benefits (OPEB) plans for state and local governments. This statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. The statement establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources, and expense/expenditures, as well as identifying the methods and assumptions required to project benefit payments, discount projected benefit payments, to their actuarial present value, and attribute that present value to periods of employee service. Additionally, this statement identifies requirements for additional note disclosures and required supplementary information. These requirements are effective for fiscal years beginning after June 15, 2017.

Village of Fairport, New York

Notes to Financial Statements May 31, 2018

Note 12 - Accounting Pronouncements Issued But Not Yet Implemented - Continued

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this statement is to address certain issues that have been raised with respect to GASB Statements No. 67, *Financial Reporting for Pension Plan*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for reporting periods beginning after June 15, 2016, except for requirements of this statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end, which are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This statement establishes criteria for determining the timing and pattern of recognition for a liability and corresponding deferred outflow of resources for asset retirement obligations. This statement required that recognition occur when the liability is both incurred and reasonably estimable. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 84, *Fiduciary Activities*. This statement provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement 85, *Omnibus 2017*. This statement addresses practice issues identified during the implementation and application of certain GASB statements and is effective for reporting periods beginning after June 15, 2017.

Statement 86, *Certain Debt Extinguishment Issues*. This statement requires that debt be considered defeased in substance when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. The statement is effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and the recognition of inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effect for reporting periods beginning after December 15, 2019.

Village of Fairport, New York

Notes to Financial Statements May 31, 2018

Note 12 - Accounting Pronouncements Issued But Not Yet Implemented - Continued

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant acceleration clauses. For notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this statement. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 90, *Majority Equity Interests*. This statement will provide financial reporting users with information related to the presentation of majority equity interests in legally separate organizations. In addition, this statement required the reporting of information about component units if the government acquires 100% equity interest about the cost of services to be provided by the component unit in relation to the consideration provided to acquire the component unit. The requirements for this statement are effective for reporting periods beginning after December 15, 2018.

Management has not estimated the extent of potential impact of these statements on the Village's financial statements.

Village of Fairport, New York

Required Supplementary Information Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund

	Year Ended May 31, 2018			
	Original Budget	Modified Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real property taxes	\$ 2,646,525	\$ 2,646,525	\$ 2,651,018	\$ 4,493
Real property tax items	102,111	102,111	117,883	15,772
Non-property tax items	1,626,500	1,626,500	1,680,352	53,852
Departmental revenues	35,850	35,850	52,488	16,638
Intergovernmental charges	885,861	885,861	847,426	(38,435)
Use of money and property	184,803	184,803	207,140	22,337
Fines and forfeitures	40,000	40,000	30,150	(9,850)
Licenses and permits	33,800	33,800	7,505	(26,295)
Sale of property and compensation for loss	56,300	56,300	17,389	(38,911)
Miscellaneous local sources	105,500	110,000	272,967	162,967
Interfund revenues	231,917	231,917	109,594	(122,323)
State aid	462,108	472,108	308,250	(163,858)
Federal aid	1,110,781	1,110,781	59,800	(1,050,981)
Total revenues	7,522,056	7,536,556	6,361,962	(1,174,594)
EXPENDITURES				
General government support	890,077	904,348	842,228	62,120
Public safety	1,470,733	1,487,762	1,508,864	(21,102)
Transportation	957,654	955,081	730,365	224,716
Economic opportunity and assistance	39,700	39,700	22,424	17,276
Culture and recreation	80,296	78,239	68,026	10,213
Home and community services	655,968	665,229	599,999	65,230
Employee benefits	1,477,564	1,465,647	1,401,814	63,833
Total expenditures	5,571,992	5,596,006	5,173,720	422,286
Excess of revenues over expenditures	1,950,064	1,940,550	1,188,242	(752,308)
OTHER FINANCING USES				
Appropriated interfund transfer out	(1,220,461)	(1,229,212)	(966,617)	262,595
Excess of revenues over expenditures and other financing uses	\$ 729,603	\$ 711,338	221,625	\$ (489,713)
FUND BALANCE, beginning of year			3,598,196	
FUND BALANCE, end of year			\$ 3,819,821	

Village of Fairport, New York

Required Supplementary Information Schedule of Funding Progress - Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Simplified Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
6/1/2017	\$ -	\$ 4,170,803	\$ 4,170,803	0.00%	\$ 5,283,314	78.94%
6/1/2016	-	3,843,245	3,843,245	0.00%	5,480,058	70.13%
6/1/2015	-	2,568,029	2,568,029	0.00%	5,202,047	49.37%

Village of Fairport, New York

Required Supplementary Information Schedule of Proportionate Share of the Net Pension Liability

	<u>2018</u>	<u>2017</u>	<u>2016</u>
New York State and Local Employees' Retirement System			
Village's proportion of the net pension liability	0.0154072%	0.0148313%	0.0148324%
Village's proportionate share of the net pension liability	\$ 497,260	\$ 1,393,583	\$ 2,380,646
Village's covered-employee payroll	\$ 4,266,862	\$ 4,470,700	\$ 4,014,917
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll	11.7%	31.2%	59.3%
Plan fiduciary net position as a percentage of the total pension liability	98.2%	94.7%	90.7%
New York State and Local Police and Fire Retirement System			
Village's proportion of the net pension liability	0.0248661%	0.0249858%	0.0293650%
Village's proportionate share of the net pension liability	\$ 251,336	\$ 517,868	\$ 869,434
Village's covered-employee payroll	\$ 813,952	\$ 768,297	\$ 791,780
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll	30.9%	67.4%	109.8%
Plan fiduciary net position as a percentage of the total pension liability	96.9%	93.5%	90.20%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Village of Fairport, New York

Required Supplementary Information Schedule of Pension Contributions

	2018	2017	2016
New York State and Local Employees' Retirement System			
Contractually required contribution	\$ 644,879	\$ 617,750	\$ 714,150
Contributions in relation to the contractually required contribution	644,879	617,750	714,150
Contribution deficiency (excess)	-	-	-
Village's covered-employee payroll	4,266,862	4,470,700	4,014,917
Contribution as a percentage of covered-employee payroll	15.1%	13.8%	17.8%
New York State and Local Police and Fire Retirement System			
Contractually required contribution	\$ 187,748	\$ 180,984	\$ 190,584
Contributions in relation to the contractually required contribution	187,748	180,984	190,584
Contribution deficiency (excess)	-	-	-
Village's covered-employee payroll	813,952	768,297	791,780
Contribution as a percentage of covered-employee payroll	23.1%	23.6%	24.1%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.



**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

Mayor and Board of Trustees
Village of Fairport, New York
Fairport, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Fairport, New York (Village), as of and for the year ended May 31, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated November 9, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BST & CO. CPAs, LLP

Albany, New York
November 9, 2018

