



**Village of Fairport, New York**

Financial Report

May 31, 2020

# Village of Fairport, New York

## Financial Report

May 31, 2020

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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, the aggregate discretely presented component units, 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, 2020, 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 did not audit the financial statements of the Village of Fairport Industrial Development Agency, the Village of Fairport Local Development Corporation, and the Village of Fairport Urban Renewal Agency, which are shown as aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the discretely presented component units, are based solely on the reports of the other auditors. 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, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village as of May 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the information listed under Required Supplementary Information in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The other supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2020, 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  
September 24, 2020



# Village of Fairport, New York

## Management's Discussion and Analysis May 31, 2020

As management of the Village of Fairport, New York (the Village), we offer the readers of the Village's financial statements this narrative overview and analysis as of and for the year ended May 31, 2020. We encourage readers to consider the information presented here in conjunction with our financial statements, which can be found on pages 12 through 55 and our supplementary information which can be found on pages 54 and 59 of this report.

### Financial Highlights

- The assets of the Governmental Activities of the Village exceeded liabilities on May 31, 2020 by \$18,654,014, representing net position. Of this amount, \$17,786,081 represents the Village's net investment in capital assets (capital assets, less long-term liabilities used to acquire capital assets), and \$2,284,262 is restricted for future capital improvements and debt service. The remaining amount, which represents an unrestricted deficit of net position, is \$1,416,329. The deficit net position is the result of the Village's requirement to record the full actuarial amount of future postemployment benefits under GASB 75 and the full actuarial Village portion of the underfunded NYS Retirement Plans under GASB 68. There was a significant increase in the Village's portion of the underfunded NYS Retirement Plans as of the March 31, 2020 measurement date arising from the market decline at the time of measurement.
- The assets of the Business Type Activities of the Village exceeded liabilities on May 31, 2020 by \$23,830,660, representing net position. Of this amount, \$21,590,764 represents the Village's net investment in capital assets (capital assets, less long-term liabilities used to acquire capital assets), and \$958,374 is restricted for future capital improvements. The remaining amount, which represents an unrestricted surplus of net position, is \$1,281,522.
- At May 31, 2020, the Village's governmental funds reported a combined ending fund balance of \$5,566,721, of which \$122,876 of the fund balance was nonspendable and was related to a prepayment of workers' compensation premiums. \$2,284,262 was restricted for capital projects, insurance, workers compensation claims, cemetery operations and the asset forfeiture program and \$638,960 was assigned for future appropriations, encumbered balances, sewer related activity and cemetery related activity. The remaining amount, which represents unassigned fund balance, is \$2,693,796.

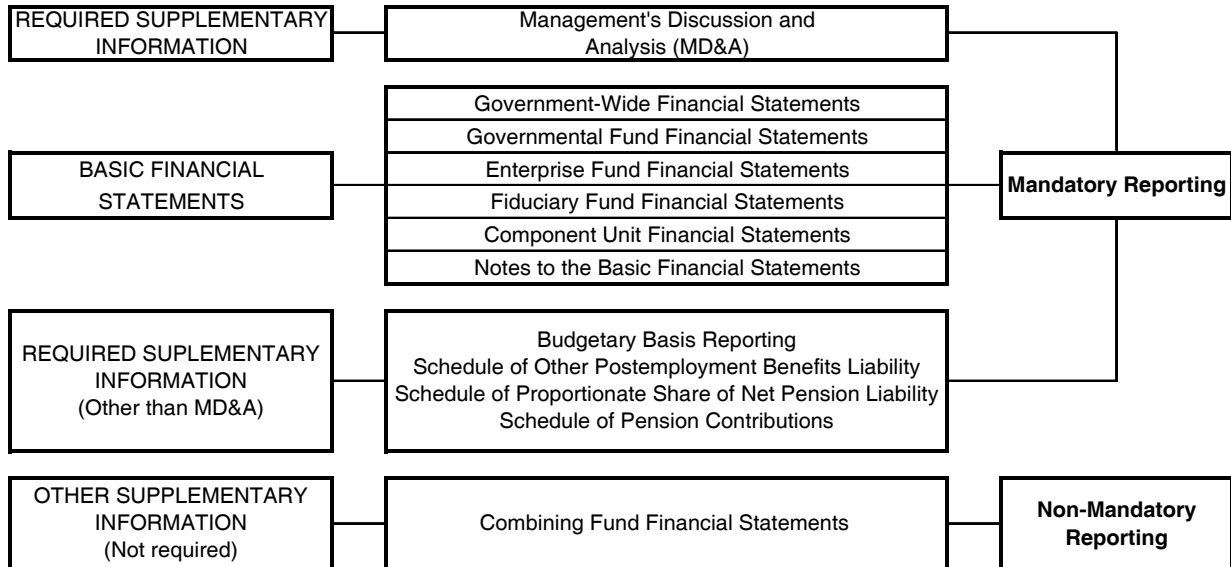
### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Village's financial statements. The Village's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The following diagram illustrates the minimum financial reporting requirements of the Village under accounting principles generally accepted in the United States of America (U.S. GAAP):

# Village of Fairport, New York

## Management's Discussion and Analysis May 31, 2020

### Overview of the Financial Statements - Continued



**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances in a manner similar to private sector business.

The statement of net position presents information on all of the Village's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The statement of activities presents information showing how the Village's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government support, public safety transportation, economic opportunity and development, culture and recreation, and home and community services. The business-type activities of the Village include electric services.

The Village includes three (3) separate legal entities in its report consisting of the Village of Fairport Industrial Development Agency, Village of Fairport Local Development Corporation and Village of Fairport Urban Renewal Agency. Although legally separate, these "component units" are important because the Village is financially accountable for them and may be affected by their financial well-being.

The government-wide financial statements can be found on pages 12 and 13 of this report.

# Village of Fairport, New York

## Management's Discussion and Analysis May 31, 2020

### Overview of the Financial Statements - Continued

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Sewer Fund, and Capital Projects Fund; and in the aggregate, the non-major funds consisting of the Debt Service Fund, Greenvale Cemetery Fund, and Mount Pleasant Cemetery Fund. The Village adopts an annual appropriated budget for its General Fund, Capital Projects Fund, and Sewer Fund. A budgetary comparison statement has been provided for the General Fund that demonstrates compliance with this budget.

The governmental fund financial statements can be found on pages 12 through 17 of this report.

**Proprietary Funds.** The Village maintains proprietary funds to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric operations, which is considered to be a major fund of the Village. The Village adopts an annual appropriated budget for the Electric Fund.

The proprietary fund financial statements can be found on pages 18 through 20 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties other than the Village. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village-owned programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statement can be found on page 21 of this report.



# Village of Fairport, New York

## Management's Discussion and Analysis May 31, 2020

### Overview of the Financial Statements - Continued

**Aggregate Discretely Present Component Units.** The Village has created three public benefit corporations. The financial position and activities of the public benefit corporations that provide services directly to citizens have been presented in the Statement of Net Position and the Statement of Activities under the component units column and also in more detail in the Combining Statement of Net Position and the Combining Statement of Activities for the component units. These components units have been discretely presented in the Village's financial statements because their nature and significance to the Village cause them to have an effect on the fiscal condition of the Village and the Village is accountable for them. Combining statements of the discretely presented component units can be found on pages 22 and 23.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 55 of this report.

**Table 1 -Condensed Statement Net Position as of May 31, 2020 and 2019**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>ASSETS</b>						
Current assets	\$ 6,537,533	\$ 5,269,760	\$ 6,133,504	\$ 6,292,479	\$ 12,671,037	\$ 11,562,239
Noncurrent assets	19,796,081	19,232,654	30,204,120	30,167,745	50,000,201	49,400,399
Total assets	<u>26,333,614</u>	<u>24,502,414</u>	<u>36,337,624</u>	<u>36,460,224</u>	<u>62,671,238</u>	<u>60,962,638</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	2,115,431	543,213	2,312,144	857,559	4,427,575	1,400,772
<b>LIABILITIES</b>						
Current liabilities	1,232,511	407,303	2,457,423	2,681,842	3,689,934	3,089,145
Noncurrent liabilities	8,130,173	5,344,715	12,156,945	10,678,560	20,287,118	16,023,275
Total liabilities	<u>9,362,684</u>	<u>5,752,018</u>	<u>14,614,368</u>	<u>13,360,402</u>	<u>23,977,052</u>	<u>19,112,420</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	432,347	368,498	204,740	229,686	637,087	598,184
<b>NET POSITION</b>						
Net investment in capital assets	17,786,081	17,767,654	21,590,764	21,098,923	39,376,845	38,866,577
Restricted	2,284,262	1,576,573	958,374	653,277	3,242,636	2,229,850
Unrestricted deficit	<u>(1,416,329)</u>	<u>(419,116)</u>	<u>1,281,522</u>	<u>1,975,495</u>	<u>(134,807)</u>	<u>1,556,379</u>
<b>Total net position</b>	<u>\$ 18,654,014</u>	<u>\$ 18,925,111</u>	<u>\$ 23,830,660</u>	<u>\$ 23,727,695</u>	<u>\$ 42,484,674</u>	<u>\$ 42,652,806</u>

The Village experienced a decrease in net position during 2020 totaling \$134,807.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$42,484,674 at May 31, 2020.

By far, the largest portion, \$39,376,845, of the Village's net position (93%) reflects its investment in capital assets (i.e., land, buildings, infrastructure, and machinery and equipment) less accumulated depreciation and any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

# Village of Fairport, New York

## Management's Discussion and Analysis May 31, 2020

### Overview of the Financial Statements - Continued

### Government-Wide Financial Analysis - Continued

**Table 2 - Changes in Net Position for the Fiscal Years Ended May 31, 2020 and 2019**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 1,445,134	\$ 1,400,931	\$ 22,832,861	\$ 24,084,806	\$ 24,277,995	\$ 25,485,737
Operating grants and contributions	59,043	12,780	-	-	59,043	12,780
Capital grants and contributions	697,441	659,064	-	-	697,441	659,064
General Revenues						
Real property taxes and items	3,044,170	2,931,610	-	-	3,044,170	2,931,610
Nonproperty taxes	1,756,512	1,740,645	-	-	1,756,512	1,740,645
Other revenues	769,232	746,334	151,684	99,758	920,916	846,092
Total revenues	<u>7,771,532</u>	<u>7,491,364</u>	<u>22,984,545</u>	<u>24,184,564</u>	<u>30,756,077</u>	<u>31,675,928</u>
<b>EXPENSES</b>						
General government support	1,494,524	1,291,116	-	-	1,494,524	1,291,116
Public safety	2,657,599	2,127,809	-	-	2,657,599	2,127,809
Transportation	2,719,884	1,734,887	-	-	2,719,884	1,734,887
Economic opportunity and assistance	109,437	151,496	-	-	109,437	151,496
Culture and recreation	125,271	147,339	-	-	125,271	147,339
Home and community services	883,863	1,615,413	22,593,670	22,519,947	23,477,533	24,135,360
Interest on long-term debt	52,051	38,725	287,910	291,246	339,961	329,971
Total expenses	<u>8,042,629</u>	<u>7,106,785</u>	<u>22,881,580</u>	<u>22,811,193</u>	<u>30,924,209</u>	<u>29,917,978</u>
<b>CHANGES IN NET POSITION</b>	(271,097)	384,579	102,965	1,373,371	(168,132)	1,757,950
<b>NET POSITION, beginning of year</b>	<u>18,925,111</u>	<u>18,540,532</u>	<u>23,727,695</u>	<u>22,354,324</u>	<u>42,652,806</u>	<u>40,894,856</u>
<b>NET POSITION, end of year</b>	<u>\$ 18,654,014</u>	<u>\$ 18,925,111</u>	<u>\$ 23,830,660</u>	<u>\$ 23,727,695</u>	<u>\$ 42,484,674</u>	<u>\$ 42,652,806</u>

**Governmental Activities.** Governmental activities decreased the Village's net position by \$271,097.

Total revenues remained fairly consistent only increasing by \$280,167 or 4%. due to an increase in charges for services with the Sewer charge increasing from \$90 per parcel to \$110 per parcel, and an increase in real property taxes of \$112,560 arising from an increased assessed valuation. Expenditures slightly increased by \$935,844 or 13% mainly due to the increase in the Village's portion of the underfunded NYS Retirement Plans under GASB 68.

**Business-type Activities.** Business-type activities consisting of the Electric Fund, increased the Village's net position by \$102,965.

### Financial Analysis of the Village's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported a combined ending fund balance of \$5,566,721 an increase of \$509,134 from the prior year, primarily caused by a surplus in the Sewer Fund and General Fund, offset by a deficit in the Capital Projects Fund as discussed below.

# Village of Fairport, New York

## Management's Discussion and Analysis May 31, 2020

### Financial Analysis of the Village's Funds - Continued

#### Governmental Funds - Continued

Out of the total fund balance, \$122,876 is in non-spendable form and, therefore, is not available for new spending, \$1,275,077 is restricted under the Capital Plan for General Capital Improvements, \$536,820 is restricted under the Capital Plan for Fire Department Vehicles, \$180,353 is restricted under the Capital Plan for Fire Department equipment purchases, \$27,091 is restricted under the Asset Forfeiture program, \$23,875 is restricted for permanent cemetery improvements, \$29,899 is reserved for insurance claims, and \$211,147 is reserved for workers' compensation claims. \$638,960 of the Village's total fund balance is assigned, \$237,000 was appropriated to balance the 2020-2021 General fund budget, \$104,889 is encumbered for ongoing 2019-2020 General fund contracts and the remaining \$297,071 is assigned for sewer related activities, and cemetery related activities. The remaining amount, which represents unassigned fund balances, is \$2,693,796.

The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$2,693,796, while total fund balance was \$5,418,948. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 42% of total General Fund expenditures, while total fund balance represents approximately 85% of that same amount. The overall fund balance of the Village's General Fund increased by \$637,153 during the current fiscal year, primarily due to budgetary savings, and revenue streams exceeding projections.

General Fund revenues were higher than the modified budget by \$422,333. This favorable budget variance is due to (1) higher than anticipated Sales Tax, (2) an additional unanticipated reimbursement from the Village's Workers' Compensation Plan, (3) a reallocation of the Capital Reserve Funds into well performing NYCLASS funds and (4) a significant transfer from the Capital Projects Fund to repay the Capital Reserve Fund after the unanticipated receipt of Marchiselli Funding related to the West Church Street Resurfacing Capital Project. General Fund expenditures were lower than the modified budget by \$370,789. This favorable budget variance is due to (1) Publicity costs that did not come to fruition as a result of the Coronavirus Pandemic (2) a milder winter than expected causing lower than anticipated snow removal costs, (3) budgetary savings within the Fire Department, and (4) Other financing uses came in under budget.

#### Capital Asset and Debt Administration

**Table 3 - Capital Assets as of May 31, 2020 and 2019**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Buildings	\$ 3,012,897	\$ 2,976,842	\$ 5,593,338	\$ 5,593,338	\$ 8,606,235	\$ 8,570,180
Machinery and equipment	6,253,815	5,243,185	4,478,988	4,112,813	10,732,803	9,355,998
Infrastructure	47,482,193	47,176,113	44,508,265	43,728,671	91,990,458	90,904,784
Accumulated depreciation	(38,383,690)	(36,912,637)	(25,182,164)	(23,950,691)	(63,565,854)	(60,863,328)
Total depreciable assets	<u>18,365,215</u>	<u>18,483,503</u>	<u>29,398,427</u>	<u>29,484,131</u>	<u>47,763,642</u>	<u>47,967,634</u>
Land	702,357	702,357	600,069	600,069	1,302,426	1,302,426
Construction-in-progress	728,509	46,794	205,624	83,545	934,133	130,339
Total non-depreciable assets	<u>1,430,866</u>	<u>749,151</u>	<u>805,693</u>	<u>683,614</u>	<u>2,236,559</u>	<u>1,432,765</u>
Total capital assets, net	<u>\$ 19,796,081</u>	<u>\$ 19,232,654</u>	<u>\$ 30,204,120</u>	<u>\$ 30,167,745</u>	<u>\$ 50,000,201</u>	<u>\$ 49,400,399</u>

# Village of Fairport, New York

## Management's Discussion and Analysis May 31, 2020

### Capital Asset and Debt Administration - Continued

The Village's investment in capital assets for its governmental and business-type activities as of May 31, 2020, amounts to \$50,000,201 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, and infrastructure assets, such as roads, streets, and electrical, and sewer systems. Additional information on the Village's capital assets can be found in Note 1k on page 31 and Note 3 on pages 34 and 35 of this report.

**Table 4 - Long-Term Debt as of May 31, 2020 and 2019**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation bonds						
Principal	\$ 2,010,000	\$ 1,465,000	\$ 8,089,750	\$ 8,662,250	\$ 10,099,750	\$ 10,127,250
Unamortized premiums	-	-	11,548	16,250	11,548	16,250
Total	2,010,000	1,465,000	8,101,298	8,678,500	10,111,298	10,143,500
Notes Payable						
New York Power Authority	-	-	512,058	390,322	512,058	390,322
Total long-term debt	\$ 2,010,000	\$ 1,465,000	\$ 8,613,356	\$ 9,068,822	\$ 10,623,356	\$ 10,533,822

At the end of the current fiscal year, the Village had total bonded debt outstanding of \$10,111,298. This entire amount comprises debt backed by the full faith and credit of the Village. Additionally, the Village is obligated under loans payable with the New York Power Authority, totaling \$512,058 as of May 31, 2020.

### Future Economic Factors

The Village of Fairport is "On The Rise". The Village adopted a 2020-2021 budget of \$6,908,894. The Village of Fairport continued its efforts to be fiscally conservative in adopting a total budget increase of only 2.27% over the prior year. However, with the anticipated economic impacts of the Coronavirus causing a significant decrease to projected Sales Tax, inclusive of a contribution from fund balance in the amount of \$237,000, the Village of Fairport increased the amount of Real Property Taxes by 6.7%.

The Village of Fairport is committed to long term planning through the adoption of a 10-year capital plan. The Village authorized a total of \$608,711 to be invested into the local financing of future capital costs. Such costs have been restricted and placed into reserve funds to support the future funding of capital projects. The Village is proposed to spend \$2,695,474 on general projects, including significant enhancements to the West Banks of the Erie Canal, and equipment and \$98,000 on fire equipment in 2020-2021.

The Village established a Sanitary Sewer Fund in 2018-2019 and continues to raise funds to adequately maintain and strategically replace the sanitary sewer system. Funding has been generated through a per parcel sewer rent of \$175 in the 2020-2021 year. The costs associated with the Sanitary Sewer Fund continue to grow as the Village progresses with the analysis and further determines the liabilities associated with maintaining the system. In the 2020-2021 Fiscal year, the main areas of focus during the analysis will be the televising of the sewer mains and investigating the Erie Canal crossings.

The Electric fund of the Village, commonly known as Fairport Municipal Commission, continues to provide quality electric service to its customers at some of the best rates in the country. For the 5<sup>th</sup> year in a row, the Village received national recognition for achieving exceptional electric reliability. In 2020-2021, the Electric Fund is proposed to spend \$25,841,609, which is an increase of \$688,186 from the 2019-2020 budget. During fiscal year 2020-2021, Fairport Municipal Commission will continue to heavily invest in its infrastructure to meet the demands of NYS's first ever Electric Vehicle (EV) Model Community designation. Such investment will include individual charging stations for electric vehicle users as well as obtaining new DC fast chargers.

# **Village of Fairport, New York**

## **Management's Discussion and Analysis May 31, 2020**

### **Requests for Information**

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the Village's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Village of Fairport  
Attention: Village Clerk-Treasurer  
31 S. Main Street  
Fairport, NY 14450

# Village of Fairport, New York

## Statement of Net Position

	May 31, 2020			
	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 3,753,359	\$ 2,435,378	\$ 6,188,737	\$ 2,028,917
Cash and cash equivalents, restricted	2,326,254	1,198,135	3,524,389	7,452
Investments	-	-	-	1,374,558
Receivables				
Accounts, net	41,785	1,006,939	1,048,724	-
Current portion of notes, loans and leases receivable	-	-	-	112,473
Due from other governments	263,385	-	263,385	-
State and federal receivables	27,420	-	27,420	-
Inventory	-	976,736	976,736	-
Prepaid expenses	122,876	518,770	641,646	20,301
Other assets	-	-	-	31,834
Internal balances	2,454	(2,454)	-	-
Total current assets	<u>6,537,533</u>	<u>6,133,504</u>	<u>12,671,037</u>	<u>3,575,535</u>
<b>NONCURRENT ASSETS</b>				
Notes, loans and leases receivable, net of current portion	-	-	-	1,280,681
Capital assets				
Land and construction in progress	1,430,866	805,693	2,236,559	128,198
Buildings, machinery, equipment, and infrastructure, net	18,365,215	29,398,427	47,763,642	390,616
Total noncurrent assets	<u>19,796,081</u>	<u>30,204,120</u>	<u>50,000,201</u>	<u>1,799,495</u>
Total assets	<u>26,333,614</u>	<u>36,337,624</u>	<u>62,671,238</u>	<u>5,375,030</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>2,115,431</u>	<u>2,312,144</u>	<u>4,427,575</u>	<u>142,808</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and other current liabilities	399,082	1,309,393	1,708,475	166,049
Interest payable	2,221	2,420	4,641	-
Due to other governments	71,208	94,290	165,498	22,723
Customer deposits	-	237,341	237,341	-
Bond anticipation note payable	500,000	-	500,000	-
Current maturities of bonds payable	260,000	572,500	832,500	-
Current maturities of notes payable	-	241,479	241,479	-
Total current liabilities	<u>1,232,511</u>	<u>2,457,423</u>	<u>3,689,934</u>	<u>188,772</u>
<b>NONCURRENT LIABILITIES</b>				
Bonds payable	1,750,000	7,528,798	9,278,798	-
Notes payable	-	270,579	270,579	-
Compensated absences	57,656	24,890	82,546	22,464
Net pension liability	2,990,816	2,718,337	5,709,153	64,397
Other postemployment benefits	3,331,701	1,614,341	4,946,042	245,910
Total noncurrent liabilities	<u>8,130,173</u>	<u>12,156,945</u>	<u>20,287,118</u>	<u>332,771</u>
Total liabilities	<u>9,362,684</u>	<u>14,614,368</u>	<u>23,977,052</u>	<u>521,543</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>432,347</u>	<u>204,740</u>	<u>637,087</u>	<u>82,862</u>
<b>NET POSITION</b>				
Net investment in capital assets	17,786,081	21,590,764	39,376,845	518,814
Restricted for				
Capital improvements	1,992,250	958,374	2,950,624	-
Section 8	-	-	-	47,467
Insurance and workers compensation	241,045	-	241,045	-
Other	50,967	-	50,967	-
Unrestricted	(1,416,329)	1,281,522	(134,807)	4,347,152
Total net position	<u>\$ 18,654,014</u>	<u>\$ 23,830,660</u>	<u>\$ 42,484,674</u>	<u>\$ 4,913,433</u>

See accompanying Notes to Financial Statements.

# Village of Fairport, New York

## Statement of Activities

Year Ended May 31, 2020

Functions/Programs	Program Revenue				Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
<b>GOVERNMENTAL ACTIVITIES</b>								
General government support	\$ 1,494,524	\$ 176,524	\$ 7,562	\$ 46,160	\$ (1,264,278)	\$ -	\$ (1,264,278)	\$ -
Public safety	2,657,599	815,291	4,306		(1,838,002)	-	(1,838,002)	-
Transportation	2,719,884			411,361	(2,308,523)	-	(2,308,523)	-
Economic opportunity and assistance	109,437				(109,437)	-	(109,437)	-
Culture and recreation	125,271	41,520		212,500	128,749	-	128,749	-
Home and community services	883,863	411,799	47,175	27,420	(397,469)	-	(397,469)	-
Interest on long-term debt	52,051				(52,051)	-	(52,051)	-
Total governmental activities	8,042,629	1,445,134	59,043	697,441	(5,841,011)	-	(5,841,011)	-
<b>BUSINESS-TYPE ACTIVITIES</b>								
Electric	22,881,580	22,832,861	-	-	-	(48,719)	(48,719)	-
<b>Total primary government</b>	<b>\$ 30,924,209</b>	<b>\$ 24,277,995</b>	<b>\$ 59,043</b>	<b>\$ 697,441</b>	<b>(5,841,011)</b>	<b>(48,719)</b>	<b>(5,889,730)</b>	-
<b>Total component units - September 30, 2019</b>	<b>\$ 3,345,421</b>	<b>\$ 681,551</b>	<b>\$ 2,506,724</b>					<b>(157,146)</b>
<b>GENERAL REVENUES</b>								
Real property tax and related tax items					3,044,170	-	3,044,170	-
Non-property taxes					1,756,512	-	1,756,512	-
Other general revenue items					271,391	80,436	351,827	-
Miscellaneous local sources					2,370	-	2,370	-
Sale of property and compensation for loss					42,682	-	42,682	-
Use of money and property					243,458	71,248	314,706	213,982
Unrestricted state aid					209,331	-	195,587	-
Total general revenues					5,569,914	151,684	5,707,854	213,982
<b>CHANGES IN NET POSITION</b>					<b>(271,097)</b>	<b>102,965</b>	<b>(168,132)</b>	<b>56,836</b>
<b>NET POSITION, beginning of year</b>					18,925,111	23,727,695	42,652,806	4,856,597
<b>NET POSITION, end of year</b>					<b>\$ 18,654,014</b>	<b>\$ 23,830,660</b>	<b>\$ 42,484,674</b>	<b>\$ 4,913,433</b>

See accompanying Notes to Financial Statements.

# Village of Fairport, New York

## Balance Sheet - Governmental Funds

	May 31, 2020				
	Major Funds			Other	
	General	Sewer District	Capital Projects	Governmental	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,873,522	\$ 260,847	\$ 468,382	\$ 150,608	\$ 3,753,359
Cash and cash equivalents, restricted	2,326,254	-	-	-	2,326,254
Accounts receivable	41,785	-	-	-	41,785
Due from other governments	229,179	34,206	-	-	263,385
Due from other funds	191,454	-	73,867	-	265,321
Due from state and federal governments	-	27,420	-	-	27,420
Prepaid expenses	122,876	-	-	-	122,876
<b>Total assets</b>	<b><u>\$ 5,785,070</u></b>	<b><u>\$ 322,473</u></b>	<b><u>\$ 542,249</u></b>	<b><u>\$ 150,608</u></b>	<b><u>\$ 6,800,400</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 176,828	\$ 3,581	\$ 215,422	\$ 3,251	\$ 399,082
Bond anticipation notes payable	-	-	500,000	-	500,000
Due to other governments	71,208	-	-	-	71,208
Due to other funds	117,564	145,303	-	-	262,867
	<u>365,600</u>	<u>148,884</u>	<u>715,422</u>	<u>3,251</u>	<u>1,233,157</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
	<u>522</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>522</u>
<b>FUND BALANCES</b>					
Nonspendable	122,876	-	-	-	122,876
Restricted	2,260,387	-	-	23,875	2,284,262
Assigned	341,889	173,589	-	123,482	638,960
Unassigned	2,693,796	-	(173,173)	-	2,693,796
Total fund balances	<u>5,418,948</u>	<u>173,589</u>	<u>(173,173)</u>	<u>147,357</u>	<u>5,566,721</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 5,785,070</u></b>	<b><u>\$ 322,473</u></b>	<b><u>\$ 542,249</u></b>	<b><u>\$ 150,608</u></b>	<b><u>\$ 6,800,400</u></b>

See accompanying Notes to Financial Statements.



# Village of Fairport, New York

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

	<u>May 31, 2020</u>
Total fund balances in the fund financial statements for the governmental funds	\$ 5,566,721
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.	19,796,081
Some liabilities (listed below) are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable	(2,010,000)
Interest payable	(2,221)
Compensated absences	(57,656)
Net pension liability, net of deferred amounts	(1,320,532)
OPEB, net of deferred amount	<u>(3,318,901)</u>
	(6,709,310)
Receivable balances not collected within the Village's availability period are reported as deferred inflows of resources in the fund financial statements.	<u>522</u>
<b>Total net position, end of year</b>	<b><u><u>\$ 18,654,014</u></u></b>

# Village of Fairport, New York

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

	Year Ended May 31, 2020				
	Major Funds				
	General	Sewer District	Capital Projects	Other Governmental	Total
<b>REVENUES</b>					
Real property taxes	\$ 2,923,539	\$ -	\$ -	\$ -	\$ 2,923,539
Real property tax items	120,631	-	-	-	120,631
Non-property tax items	1,756,512	-	-	-	1,756,512
Departmental revenues	128,863	237,160	-	-	366,023
Intergovernmental charges	815,265	34,206	-	-	849,471
Use of money and property	241,918	364	290	886	243,458
Fines and forfeitures	26,455	-	-	-	26,455
Licenses and permits	56,562	-	-	-	56,562
Sale of property and compensation for loss	28,432	-	-	14,250	42,682
Miscellaneous local sources	418,516	-	212,500	2,370	633,386
Interfund revenues	146,623	-	-	-	146,623
State aid	81,164	-	457,521	-	538,685
Federal aid	-	27,420	47,175	-	74,595
Total revenues	6,744,480	299,150	717,486	17,506	7,778,622
<b>EXPENDITURES</b>					
General government support	957,368	-	51,617	6,159	1,015,144
Public safety	1,497,809	-	944,896	-	2,442,705
Transportation	1,207,020	-	639,054	-	1,846,074
Economic opportunity and assistance	71,241	-	-	-	71,241
Culture and recreation	35,183	-	450,989	-	486,172
Home and community services	324,753	108,921	47,175	12,151	493,000
Employee benefits	1,407,580	-	-	-	1,407,580
Debt service					
Principal	-	-	-	257,000	257,000
Interest	-	-	-	52,572	52,572
Total expenditures	5,500,954	108,921	2,133,731	327,882	8,071,488
<b>Excess (deficiency) of revenues over expenditures</b>	<b>1,243,526</b>	<b>190,229</b>	<b>(1,416,245)</b>	<b>(310,376)</b>	<b>(292,866)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	285,575	110	575,890	315,948	1,177,523
Operating transfers out	(891,948)	(145,303)	(140,272)	-	(1,177,523)
Proceeds from issuance of debt	-	-	802,000	-	802,000
	(606,373)	(145,193)	1,237,618	315,948	802,000
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b>637,153</b>	<b>45,036</b>	<b>(178,627)</b>	<b>5,572</b>	<b>509,134</b>
<b>FUND BALANCES, beginning of year</b>	4,781,795	128,553	5,454	141,785	5,057,587
<b>FUND BALANCES, end of year</b>	<b>\$ 5,418,948</b>	<b>\$ 173,589</b>	<b>\$ (173,173)</b>	<b>\$ 147,357</b>	<b>\$ 5,566,721</b>

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, 2020</u>
Net change in fund balances shown for total governmental funds	\$	509,134
<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	2,158,873	
Disposition of capital assets	(21,497)	
Depreciation expense	<u>(1,573,949)</u>	563,427
<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>		
		(761,936)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the net effect of proceeds and repayments:</p>		
Repayment of principal	257,000	
Long-term debt proceeds	<u>(802,000)</u>	(545,000)
<p>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditure is reported when due.</p>		
		521
<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>		
		(7,090)
<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>(30,153)</u>
<b>Change in net position of governmental activities shown in the statement of activities</b>	<b>\$</b>	<b><u>(271,097)</u></b>

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

	<u>May 31, 2020</u>
	<u>Electric</u>
	<u>Fund</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 2,435,378
Cash and cash equivalents, restricted	1,198,135
Accounts receivable, net	1,006,939
Due from other funds	43,697
Inventory	976,736
Prepaid expenses	518,770
Total current assets	<u>6,179,655</u>
<b>NONCURRENT ASSETS</b>	
Capital assets, net	30,204,120
Total assets	<u>36,383,775</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension resources	1,664,666
Other postemployment benefits	135,418
Other	512,060
Total deferred outflows of resources	<u>2,312,144</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable and accrued expenses	1,309,393
Interest payable	2,420
Customer deposits	237,341
Due to other funds	46,151
Due to other governments	94,290
Current maturities of bonds payable	572,500
Current maturities of notes payable	241,479
Total current liabilities	<u>2,503,574</u>
<b>NONCURRENT LIABILITIES</b>	
Bonds payable	7,528,798
Notes payable	270,579
Compensated absences	24,890
Net pension liability	2,718,337
Other postemployment benefits	1,614,341
Total noncurrent liabilities	<u>12,156,945</u>
Total liabilities	<u>14,660,519</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension resources	70,833
OPEB resources	133,907
Total deferred inflows of resources	<u>204,740</u>
<b>NET POSITION</b>	
Net investment in capital assets	21,590,764
Restricted	958,374
Unrestricted	1,281,522
Total net position	<u><u>\$ 23,830,660</u></u>

See accompanying Notes to Financial Statements.

# Village of Fairport, New York

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

	<b>Year Ended May 31, 2020</b>
	<b>Electric Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 22,832,861
<b>OPERATING EXPENSES</b>	
Personal services	2,531,438
Employee benefits	1,693,337
Contractual expenses	
Administration and other support	1,076,943
Services, supplies, and operations	15,462,563
Depreciation	1,829,389
Total operating expenses	22,593,670
<b>Operating income</b>	<b>239,191</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	20,027
Other revenue	80,436
Rental revenue	51,221
Interest expense	(287,910)
Total nonoperating expenses	(136,226)
<b>Change in net position</b>	<b>102,965</b>
<b>NET POSITION, <i>beginning of year</i></b>	<b>23,727,695</b>
<b>NET POSITION, <i>end of year</i></b>	<b>\$ 23,830,660</b>

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

	<b>Year Ended May 31, 2020</b>
	<b>Electric Fund</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Cash received from providing services	\$ 22,170,901
Cash payments for contractual expenses	(16,184,549)
Cash payments for personal services	(2,531,438)
Cash payments for employee benefits	(1,180,683)
	<b>2,274,231</b>
<b>NET CASH PROVIDED BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Other revenue	80,436
Rental revenue	51,221
	<b>131,657</b>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal payments on bonds and notes	(755,646)
Proceeds from notes	304,882
Interest paid	(292,060)
Acquisition of capital assets	(2,179,334)
Loss on removal and disposition of capital assets	231,707
	<b>(2,690,451)</b>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	
Interest income	20,027
	<b>20,027</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(264,536)</b>
<b>CASH AND CASH EQUIVALENTS, <i>beginning of year</i></b>	<b>3,898,049</b>
<b>CASH AND CASH EQUIVALENTS, <i>end of year</i></b>	<b>\$ 3,633,513</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income	\$ 239,191
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation	1,911,252
Change in assets and liabilities	
Prepaid expenses	(39,610)
Accounts receivable	(172,772)
Inventory	59,551
Deferred outflows of resources	(1,454,585)
Accounts payable and accrued expenses	219,368
Accrued other postemployment benefits	(47,010)
Advances to/from other Village funds	47,270
Customer deposits	(15,230)
Advanced billing and payments	(489,188)
Due to other governments	1,745
Net pension liability	2,040,751
Compensated absences	(1,556)
Deferred inflows of resources	(24,946)
	<b>\$ 2,274,231</b>

See accompanying Notes to Financial Statements.

# Village of Fairport, New York

## Statement of Fiduciary Net Position - Fiduciary Fund

	<u>May 31, 2020</u>
	<u>Trust and Agency</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 19,791</u>
<b>LIABILITIES</b>	
Agency liabilities	<u>\$ 19,791</u>

# Village of Fairport, New York

## Combining Statement of Net Position - Discretely Presented Component Units

	September 30, 2019			
	Industrial Development Agency	Local Development Corporation	Urban Renewal Renewal Agency	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 841,244	\$ 604,634	\$ 583,039	\$ 2,028,917
Restricted cash - FSS escrow	-	-	7,452	7,452
Investments	1,374,558	-	-	1,374,558
Receivables				
Due from related party	-	-	31,834	31,834
Current portion of notes, loans and leases receivable	-	71,266	41,207	112,473
Prepaid expenses	3,812	-	16,489	20,301
	2,219,614	675,900	680,021	3,575,535
<b>NONCURRENT ASSETS</b>				
Notes, loans and leases receivable, net of current portion	298,253	518,955	463,473	1,280,681
Land and construction in progress	128,198	-	-	128,198
Improvements and Equipment, net	378,865	-	11,751	390,616
Total noncurrent assets	805,316	518,955	475,224	1,799,495
	3,024,930	1,194,855	1,155,245	5,375,030
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources - pension	-	-	82,782	82,782
Deferred outflows of resources - OPEB	-	-	60,026	60,026
Total deferred outflows of resources	-	-	142,808	142,808
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable and other current liabilities	4,362	52,620	3,210	60,192
FSS - escrow	-	-	7,452	7,452
Unearned revenue	4,249	62,322	-	66,571
Due to other governments	-	-	22,723	22,723
Due to related party	31,834	-	-	31,834
Total current liabilities	40,445	114,942	33,385	188,772
<b>NONCURRENT LIABILITIES</b>				
Compensated absences	-	-	22,464	22,464
Net pension liability	-	-	64,397	64,397
Other postemployment benefit obligation	-	-	245,910	245,910
Total noncurrent liabilities	-	-	332,771	332,771
	40,445	114,942	366,156	521,543
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources - pension	-	-	28,726	28,726
Deferred inflows of resources - OPEB	-	-	54,136	54,136
Total deferred inflows of resources	-	-	82,862	82,862
<b>NET POSITION</b>				
Net investment in capital assets	507,063	-	11,751	518,814
Restricted	-	-	47,467	47,467
Unrestricted	2,477,422	1,079,913	789,817	4,347,152
	\$ 2,984,485	\$ 1,079,913	\$ 849,035	\$ 4,913,433

See accompanying Notes to Financial Statements.



# Village of Fairport, New York

## Combining Statement of Activities - Discretely Presented Component Units

	September 30, 2019			
	Industrial Development Agency	Local Development Corporation	Urban Renewal Agency	Total
<b>REVENUES</b>				
HUD grant revenue	\$ -	\$ -	\$ 2,456,724	\$ 2,456,724
Management services agreement	-	-	280,000	280,000
PILOT Payments	210,896	-	-	210,896
Rental of real property	100,985	9,000	-	109,985
Liftbridge initiative	-	87,678	-	87,678
State grant	50,000	-	-	50,000
PILOT fee incomes	39,414	-	-	39,414
Program income (notes, loans)	1,706	33,668	24,377	59,751
Miscellaneous revenue	-	-	3,812	3,812
Total revenues:	403,001	130,346	2,764,913	3,298,260
<b>OPERATING EXPENSES</b>				
Housing assistance payments	-	-	2,097,972	2,097,972
Personal services	-	-	311,688	311,688
Management services agreement	275,000	5,000	-	280,000
Liftbridge initiative	150,000	87,678	-	237,678
Employee benefits	-	-	156,082	156,082
Professional fees	77,421	17,375	25,556	120,352
Depreciation	20,811	-	2,869	23,680
Community support	3,804	7,425	-	11,229
Insurance	15,663	-	-	15,663
Miscellaneous expenses	4,039	-	-	4,039
Office supplies and postage	193	-	43,094	43,287
Grant payments	-	-	12,056	12,056
Other	-	19,265	5,930	25,195
Total operating expenses	546,931	136,743	2,655,247	3,338,921
<b>Operating income (loss)</b>	<b>(143,930)</b>	<b>(6,397)</b>	<b>109,666</b>	<b>(40,661)</b>
<b>NON-OPERATING REVENUE (EXPENSE)</b>				
Net investment income	100,932	2,879	186	103,997
Allowance for loan gain (loss)	8,500	(10,000)	(5,000)	(6,500)
	109,432	(7,121)	(4,814)	97,497
<b>Income (loss) before transfers</b>	<b>(34,498)</b>	<b>(13,518)</b>	<b>104,852</b>	<b>56,836</b>
<b>TRANSFERS</b>				
Operating transfers in (out)	3,804	-	(3,804)	-
<b>CHANGE IN NET POSITION</b>	<b>(30,694)</b>	<b>(13,518)</b>	<b>101,048</b>	<b>56,836</b>
<b>NET POSITION, beginning of year</b>	<b>3,015,179</b>	<b>1,093,431</b>	<b>747,987</b>	<b>4,856,597</b>
<b>NET POSITION, end of year</b>	<b>\$ 2,984,485</b>	<b>\$ 1,079,913</b>	<b>\$ 849,035</b>	<b>\$ 4,913,433</b>

See accompanying Notes to Financial Statements.

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

### 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.

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the Village's reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency, and financial accountability. Based upon the application of these criteria, the following component units are included in the Village's reporting entity because of its operational or financial relationship with the Village.

The Village of Fairport Industrial Development Agency (the IDA) was created under the provision of the laws of New York State for the purpose of encouraging economic growth in the Village of Fairport, New York. The sole member of the IDA is the Village acting by and through its Mayor, ex officio. The IDA is managed by a Board of Directors consisting of five Directors that serve at the pleasure of the sole member. For these reasons, the Village is considered able to impose its will on the IDA. Since the IDA does not have a governing body that is substantively the same as the Village and does not provide services entirely or almost entirely to the Village, the IDA has been reflected as a discretely presented component unit.

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

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

#### *a. Financial Reporting Entity - Continued*

The Village of Fairport Local Development Corporation (the LDC) is a local development corporation of the State of New York authorized under Section 1411 of the Not-for-Profit Corporation Law. The LDC was created through a Local Law enacted in 2012 by the Village of Fairport Board of Trustees. The LDC commits its resources, expertise, and energies to create a local economy that is healthy and vibrant while actively promoting the Village of Fairport as a great place to live, work, and invest. The sole member of the LDC is the Village acting by and through its Mayor, ex officio. The LDC is managed by a Board of Directors consisting of five Directors that serve at the pleasure of the sole member. For these reasons, the Village is considered able to impose its will on the LDC. Since the LDC does not have a governing body that is substantively the same as the Village and does not provide services entirely or almost entirely to the Village, the LDC has been reflected as a discretely presented component unit.

The Village of Fairport Urban Renewal Agency (the URA) was created to develop and oversee the Village's urban renewal efforts. As part of that effort, the URA administers the Rehabilitation Loan Fund to benefit entities within the Village. The URA also operates the Section 8 Housing Assistance Payments Program which covers the eastern part of Monroe County. The sole member of the URA is the Village acting by and through its Mayor, ex officio. The URA is managed by a Board of Directors consisting of five Directors that serve at the pleasure of the sole member. For these reasons, the Village is considered able to impose its will on the URA. Since the URA does not have a governing body that is substantively the same as the Village and does not provide services entirely or almost entirely to the Village, the URA has been reflected as a discretely presented component unit.

Complete financial statements of the IDA, URA, and LDC can be obtained from its Administrative Office at the address indicated below:

Village of Fairport  
Office of Community and Economic Development  
31 S. Main Street  
Fairport, NY 14450

#### *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, 2020

### **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, the component units, 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.

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

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

#### *c. Fund Financial Statements - Continued*

The Village's resources are reflected in the fund financial statements in three broad fund categories in accordance with U.S. GAAP, as follows:

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 are the Village's major governmental funds:

- 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.
- Sewer District - accounts for the Village's sanitary sewer operations. Customers are charged a flat per parcel fee, which is used to fund necessary sanitary sewer system improvements.
- Capital Projects Fund - accounts for financial resources to be used for the acquisition or construction of major capital facilities, machinery, equipment, and infrastructure.

The Village's non-major funds include the Permanent, Debt Service, and Permanent - Cemetery.

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.

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

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

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

The government-wide and component unit 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.

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 applied to the consumers' monthly billing.

#### *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.

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

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

#### *f. Budgets - Continued*

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.
- 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, 2020, 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 \$958,374 at May 31, 2020.
- *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 \$239,761 at May 31, 2020.

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

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

#### *g. Cash and Cash Equivalents - Continued*

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

- *Capital Reserve* - The Village has established three capital reserves consisting of the General Capital Reserve, Fire Equipment Reserve and Fire Rolling Stock Reserve. The respective balances of these capital reserves at May 31, 2020 are \$1,275,077, \$98,650, and \$618,523.
- *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 \$29,899 at May 31, 2020.
- *Asset Forfeiture* - Consists of 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 Asset Forfeiture was \$27,091 at May 31, 2020.
- *Workers' Compensation Reserve* - Reserve to pay out workers' compensation claims. The balance at May 31, 2020 was \$211,147.

#### *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, 2020 was \$15,564.

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, 2020.

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



# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

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

#### *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 over useful lives of the asset, as the following schedule indicates:

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 2020.

#### *l. Deferred Outflows and Inflows 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 \$512,060 that represent specific costs for vehicles that the PSC permits the Electric Fund to defer. These costs will be recovered by the Electric Fund through charges to its customers via the PPA process in future billing periods.

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

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

#### *m. Deferred Outflows and Inflows of Resources*

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

#### *n. Advanced Billings and Payments*

Advanced billings and payment represent the cumulative over collection of the Purchase Power Adjustment (PPA) that will be applied to customers future invoices. There were no advanced billings and payments at May 31, 2020.

#### *o. 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 \$200 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 paycheck 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	\$ 57,656
Proprietary funds	<u>24,890</u>
	<u><u>\$ 82,546</u></u>

#### *p. 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.

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

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

#### *p. Net Position - Continued*

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.

#### *q. 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 Village considers fund balance spent in the order of restricted, committed, assigned, and unassigned.

Note 7 provides further details regarding the Village's fund balance classifications.

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

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

#### r. 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.

#### s. Subsequent Events

The Village has evaluated subsequent events for potential recognition or disclosure through September 24, 2020 the date the financial statements were available to be issued.

### Note 2 - Stewardship, Compliance, and Accountability

Village administration prepares a proposed budget for approval by the Board of Trustees for the General Fund, Sewer Fund, Capital Projects Fund and Electric Fund. 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, 2019	Additions	Disposals/ Placed In Service	Balance at May 31, 2020
<i>Depreciable assets</i>				
Buildings	\$ 2,976,842	\$ 36,055	\$ -	\$ 3,012,897
Machinery and equipment	5,243,185	1,113,526	(102,896)	6,253,815
Infrastructure	47,176,113	306,080	-	47,482,193
Total capital assets	55,396,140	1,455,661	(102,896)	56,748,905
Accumulated depreciation	(36,912,637)	(1,573,949)	102,896	(38,383,690)
Total depreciable assets	18,483,503	(118,288)	-	18,365,215
<i>Non-depreciable assets</i>				
Land	702,357	-	-	702,357
Construction-in-progress	46,794	703,212	(21,497)	728,509
Total non-depreciable assets	749,151	703,212	(21,497)	1,430,866
Total capital assets, net	\$ 19,232,654	\$ 584,924	\$ (21,497)	\$ 19,796,081

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

### Note 3 - Capital Assets - Continued

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

	Balance at June 1, 2019	Additions	Retirements/ Adjustments	Balance at May 31, 2020
<i>Depreciable assets</i>				
Buildings	\$ 5,593,338	\$ -	\$ -	\$ 5,593,338
Machinery and equipment	4,112,813	669,194	(303,019)	4,478,988
Distribution, transmission, and other operational equipment	43,728,671	1,388,061	(608,467)	44,508,265
	53,434,822	2,057,255	(911,486)	54,580,591
Accumulated depreciation	(23,950,691)	(1,911,252)	679,779	(25,182,164)
Total depreciable assets, net	<u>29,484,131</u>	<u>146,003</u>	<u>(231,707)</u>	<u>29,398,427</u>
<i>Non-depreciable assets</i>				
Land	600,069	-	-	600,069
Construction in progress	83,545	205,624	(83,545)	205,624
Total non-depreciable assets	<u>683,614</u>	<u>205,624</u>	<u>(83,545)</u>	<u>805,693</u>
Total capital assets, net	<u>\$ 30,167,745</u>	<u>\$ 351,627</u>	<u>\$ (315,252)</u>	<u>\$ 30,204,120</u>

Depreciation expense on capital assets of the proprietary fund, other than transportation and shop equipment, was \$1,911,252 for the year ended May 31, 2020, and is reported in the statement of revenues, expenses, and changes in net position. Depreciation charges on transportation and shop equipment have been allocated to the various expense or capital asset accounts via the Electric Fund's work order system. These depreciation charges totaled \$87,538 for the year ended May 31, 2020. Net costs associated with the retirement, removal, salvage, and proceeds upon the disposition of capital assets have been charged against accumulated depreciation. These costs totaled \$170,596 for the year ended May 31, 2020.

### Note 4 - 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	\$ 27,503	\$ 30,153	\$ -	\$ 57,656	\$ -
Net pension liability	814,308	2,574,363	(397,855)	2,990,816	-
Other postemployment benefits	3,237,904	913,205	(819,408)	3,331,701	-
Bonds payable	1,465,000	802,000	(257,000)	2,010,000	260,000
Total	<u>\$ 5,427,595</u>	<u>\$ 4,319,721</u>	<u>\$ (1,474,263)</u>	<u>\$ 8,390,173</u>	<u>\$ 260,000</u>

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

### Note 4 - Noncurrent Liabilities - Continued

Change in long-term liabilities - business type activities:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Bonds payable					
Principal	\$ 8,662,250	\$ -	\$ (572,500)	\$ 8,089,750	\$ 572,500
Unamortized premiums	16,250	-	(4,702)	11,548	-
Total bonds payable	<u>8,678,500</u>	<u>-</u>	<u>(577,202)</u>	<u>8,101,298</u>	<u>572,500</u>
Compensated absences	26,446	-	(1,556)	24,890	-
Net pension liability	677,586	2,423,368	(382,617)	2,718,337	-
Other postemployment benefits	1,661,351	297,034	(344,044)	1,614,341	-
Notes payable	<u>390,322</u>	<u>304,882</u>	<u>(183,146)</u>	<u>512,058</u>	<u>241,479</u>
<b>Total</b>	<u><u>\$ 11,434,205</u></u>	<u><u>\$ 3,025,284</u></u>	<u><u>\$ (1,488,565)</u></u>	<u><u>\$ 12,970,924</u></u>	<u><u>\$ 813,979</u></u>

Refer to Notes 5 and 6 for more information about the Village's net pension liability and other postemployment benefits, respectively.

#### a. Bond Indebtedness

A summary of the Village's bond issues at May 31, 2020 is as follows:

Description	Issue Date	Maturity Date	Interest Rate	Balance
General Fund				
2016 Public Improvement Serial Bond	5/2017	5/2027	2.000%	\$ 755,000
2011 Public Improvement Refunding Serial Bond	12/2011	11/2022	2.000% - 3.000%	375,000
2011 Public Improvement Serial Bond	9/2011	5/2030	4.125% - 4.250%	135,000
2018 Public Improvement Serial Bond	6/2019	2/2027	2.250% - 2.375%	745,000
				<u>2,010,000</u>
Electric Fund				
2018 Public Improvement Serial Bond	5/2018	5/2046	3.000% - 3.500%	5,525,000
2011 Public Improvement Refunding Serial Bond	12/2011	11/2022	2.000% - 3.000%	624,750
2011 Public Improvement Serial Bond	1/2014	4/2042	2.625% - 4.000%	1,940,000
				<u>8,089,750</u>
<b>Total bonds payable</b>				<u><u>\$ 10,099,750</u></u>

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

### Note 4 - Noncurrent Liabilities - Continued

*a. Bond Indebtedness - Continued*

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

	Governmental Activities		
	Principal	Interest	Total
For the year ending May 31,			
2021	260,000	47,381	307,381
2022	260,000	41,263	301,263
2023	200,000	36,082	236,082
2024	205,000	31,613	236,613
2025	210,000	27,045	237,045
2026 through 2030	750,000	66,722	816,722
2031 through 2034	125,000	10,250	135,250
	<u>\$ 2,010,000</u>	<u>\$ 260,356</u>	<u>\$ 2,270,356</u>
	Business-type Activities		
	Principal	Interest	Total
For the year ending May 31,			
2021	\$ 572,500	\$ 273,675	\$ 846,175
2022	578,250	256,634	834,884
2023	589,000	239,669	828,669
2024	380,000	224,338	604,338
2025	380,000	210,712	590,712
2026 through 2030	2,005,000	842,600	2,847,600
2031 through 2035	1,255,000	542,263	1,797,263
2036 through 2040	1,060,000	324,800	1,384,800
2041 through 2045	1,040,000	151,725	1,191,725
2046	230,000	8,050	238,050
	<u>\$ 8,089,750</u>	<u>\$ 3,074,466</u>	<u>\$ 11,164,216</u>

*b. Notes Payable*

A summary of the Village's outstanding notes payable at May 31, 2020 is as follows:

Description	Issue Date	Maturity Date	Interest Rate	Balance
Electric Fund				
NYPA Loan 2016-17	5/2017	12/2020	0.000%	50,084
NYPA Loan 2018-19	12/2018	2/2022	0.000%	157,092
NYPA Loan 2019-20	6/2019	5/2023	0.000%	304,882
				<u>\$ 512,058</u>

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

### Note 4 - Noncurrent Liabilities - Continued

#### *b. Notes Payable - Continued*

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

For the year ending May 31,	
2021	\$ 241,479
2022	168,952
2023	<u>101,627</u>
	<u>\$ 512,058</u>

#### *c. Bond Anticipation Notes*

In May 2020, the Village issued a Bond Anticipation Note (BAN) in the amount of \$500,000 to finance Canal Waterway Improvements. The BAN matures in May 2021 with interest at a rate of 1.39%. The BAN is reported as a liability in the Capital Projects Fund. The BAN will either be refinanced on a long-term basis or repaid through General Fund appropriations.

### Note 5 - 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:



# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

### Note 5 - New York State Retirement System - Continued

#### *b. Plan Benefits - Continued*

#### 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.

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.

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

### Note 5 - New York State Retirement System - Continued

#### *b. Plan Benefits - Continued*

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.

#### *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 2020 was approximately 14.6% and 23.5% 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.

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

### Note 5 - New York State Retirement System - Continued

*c. Funding Policy - Continued*

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

Year	ERS	PFRS
2020	\$ 592,286	\$ 188,186
2019	603,821	174,389
2018	644,879	187,748

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

At May 31, 2020, the Village reported a liability of \$4,207,952 for its proportionate share of the net pension liability of the ERS and a liability of \$1,501,201 for its proportionate share of the net pension liability of the PFRS. The net pension liability was measured as of March 31, 2020, and the total pension liability was determined by an actuarial valuation as of April 1, 2019. The Village's proportion of the net pension liability was based on 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, 2020 measurement date, the Village's proportionate share in the ERS was .0158907% and the PFRS was .0280864%.

For the year ended May 31, 2020, the Village recognized pension expense of \$1,012,874 in the governmental funds and \$950,713 in the proprietary funds. At May 31, 2020, the Village reported deferred outflows of resources and deferred inflows of resources as follows (in thousands):

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 187,634	\$ 51,044
Changes of assumptions	158,310	-
Net differences between projected and actual investment earnings on pension plan investments	1,439,687	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	60,398	124,701
Total	\$ 1,846,029	\$ 175,745

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

### Note 5 - New York State Retirement System - Continued

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

	Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 159,985	\$ 47,262
Changes of assumptions	54,734	-
Net differences between projected and actual investment earnings on pension plan investments	1,393,552	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	56,395	23,571
Total	\$ 1,664,666	\$ 70,833

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	\$ 309,606	\$ 277,396	\$ 587,002
2020	403,725	402,786	806,511
2021	520,562	505,479	1,026,041
2022	429,817	408,172	837,989
2023	6,574	-	6,574
Total	\$ 1,670,284	\$ 1,593,833	\$ 3,264,117

*e. Actuarial Assumptions*

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

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

### Note 5 - New York State Retirement System - Continued

#### e. Actuarial Assumptions - Continued

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	6.8 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-2018

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, 2019 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, 2020 are summarized below:

Asset Type	Target Allocation	Long-Term Expected Real Rate
Domestic equity	36.00%	4.05%
International equity	14.00%	6.15%
Private equity	10.00%	6.75%
Real estate	10.00%	4.95%
Absolute return strategies	2.00%	3.25%
Opportunistic funds	3.00%	4.65%
Real assets	3.00%	5.95%
Bonds and mortgages	17.00%	0.75%
Cash	1.00%	0.00%
Inflation-indexed bonds	4.00%	0.50%
	100.00%	

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

### Note 5 - New York State Retirement System - Continued

*g. Discount Rate*

The discount rate used to calculate the total pension liability was 6.8%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. 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 6.8% and the impact of using a discount rate that is 1.0% higher or lower than the current rate:

	1% Decrease (5.80%)	Current Discount (6.80%)	1% Increase (7.80%)
Village's proportionate share of the net pension liability (asset)			
Governmental Activities	\$ 5,418,041	\$ 2,990,816	\$ 785,474
Business-Type Activities	49,889,116	2,718,337	627,125

*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, 2020 were as follows:

	(Dollars in Thousands)		
	Employees' Retirement System	Police and Fire Retirement System	Total
Employers' total pension liability	\$ 194,596,261	\$ 35,309,017	\$ 229,905,278
Plan net position	(168,115,682)	(29,964,080)	(198,079,762)
Employers' net pension liability	\$ 26,480,579	\$ 5,344,937	\$ 31,825,516
Ratio of fiduciary net position to total pension liability	86.4%	84.9%	86.2%

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

### Note 6 - 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, 2020

### Note 6 - Other Postemployment Benefits (OPEB) - Continued

*b. Contributions - Continued*

The Village recognizes OPEB expenses as the benefits are earned on the accrual basis of accounting in the Governmental Activities and Business-Type Activities. The Village has recognized revenues and expenditures of \$55,004 for Medicare Part D payments made directly to its health insurance carrier on behalf of its retirees. A summary of active employees and retired employees covered under the plan as of the June 1, 2019 valuation date is as follows:

	Governmental Activities	Business-type Activities	Total
Active not eligible to retire	22	28	50
Active eligible to retire	11	4	15
Retired and surviving spouses	15	11	26
Retired spouses covered	8	7	15
 Total	56	50	106

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

*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, 2020, the Village paid approximately \$331,976 on behalf of the plan members.

*d. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEB*

At May 31, 2020, the Village reported a liability of \$3,331,701 in the governmental activities and \$1,614,341 in the business-type activities for its OPEB liability. The OPEB liability was measured as of May 31, 2020 by an actuarial valuation as of June 1, 2018. For the year ended May 31, 2020, the Village recognized OPEB expense of \$283,266 in the governmental activities and \$125,242 in the business-type activities.



# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

### Note 6 - Other Postemployment Benefits (OPEB) - Continued

*d. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEB - Continued*

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

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 256,602
Changes of assumptions or other inputs	269,402	-
Total	\$ 269,402	\$ 256,602
	Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 16,018	\$ 133,907
Changes of assumptions or other inputs	119,400	-
Total	\$ 135,418	\$ 133,907

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Governmental Activities	Business-type Type-Activities
Year ending May 31,		
2021	\$ 12,800	\$ 8,349
2022	-	(6,838)
Total	\$ 12,800	\$ 1,511

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

### Note 6 - Other Postemployment Benefits (OPEB) - Continued

#### e. Actuarial Methods and Assumptions

The total OPEB liability in the May 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Actuarial cost method	Entry age normal - level percent of pay																					
Measurement date	June 1, 2018																					
Discount rate	Fidelity Municipal GO AA 20-Year Bond Rate																					
Beginning of year	3.70%																					
End of year	1.81%																					
Salary scale																						
Beginning of year	3.36%																					
End of year	3.22%																					
Inflation Rate	2.37%																					
Mortality	Pub-2010 Public Retirement Plans Mortality Tables, Headcount Weighted, distinct for Teachers, General, and Safety, without separate Contingent Survivor mortality, fully generational using scale MP-2018																					
Termination Rates	2003 Society of Actuaries small plan withdrawal, scaled 75% for teachers, unscaled for non-teachers.																					
Retirement incidence		<table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="text-align: center; border-top: 1px solid black; border-bottom: 1px solid black;">Police</td> <td style="width: 50%;"></td> <td style="text-align: center; border-top: 1px solid black; border-bottom: 1px solid black;">Non-Police</td> </tr> <tr> <td style="text-align: center;">Under 59</td> <td style="text-align: center;">45%</td> <td style="text-align: center;">55</td> <td style="text-align: center;">30%</td> </tr> <tr> <td style="text-align: center;">60+</td> <td style="text-align: center;">100%</td> <td style="text-align: center;">56-64</td> <td style="text-align: center;">15%</td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">65-69</td> <td style="text-align: center;">30%</td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">70+</td> <td style="text-align: center;">100%</td> </tr> </table>		Police		Non-Police	Under 59	45%	55	30%	60+	100%	56-64	15%			65-69	30%			70+	100%
	Police		Non-Police																			
Under 59	45%	55	30%																			
60+	100%	56-64	15%																			
		65-69	30%																			
		70+	100%																			
Marriage rate	70% of retirees assumed to be married at the time of retirement and elect coverage for a spouse. Actual spousal information was used for retirees when available.																					
Health care cost trend rates	The short term trend rates were based on the National Health Expenditure Projections 2009-2025 and reflect the impact of legislative changes in 2017 and future years. Long-term trend rates were developed using the Society of Actuaries Getzen Long-Term Healthcare Cost Trend Resource Model v2018_c(updated August 2017). CPI Inflation Rates are based on The Livingston Survey for December 2017, Long-Term (10-year) Forecast mean rates. Real GDP rates are based on median rates for OECD 2020-2060 GDP, published 2017.																					
Inflation (CPI) for Years 2027+	2.37%																					
Real GDP (per capita) for Year 2027+	1.82%																					
Excess Medical Cost Growth Rate 2027+	1.40%																					
Expected Health Share of GDP 2027	20.40%																					
Share of GDP above which cost growth is assumed to meet resistance	25.00%																					
Year after which medical costs are limited to rate of growth in GDP.	2075																					

The discount rate used to measure the liability was 1.81%, based on the S&P 20 AA Municipal Bond Index.

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

### Note 6 - Other Postemployment Benefits (OPEB) - Continued

*e. Actuarial Methods and Assumptions - Continued*

*Changes in OPEB Liability*

Changes in the OPEB liability are as follows:

	Governmental Activities	Business-type Activities	Total
June 1, 2019	\$ 3,237,904	\$ 1,661,351	\$ 4,899,255
Charges for the year			
Service cost	141,178	54,215	195,393
Interest	117,765	58,453	176,218
Difference in expected and actual experience	(623,176)	(208,300)	(831,476)
Changes in assumptions and other inputs	654,262	184,366	838,628
Benefit payments	(196,232)	(135,744)	(331,976)
Net changes	93,797	(47,010)	46,787
May 31, 2020	\$ 3,331,701	\$ 1,614,341	\$ 4,946,042

*Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates and Discount Rate*

The following presents the OPEB liability as of May 31, 2019 using current health care cost trend rates as well as what the OPEB liability would be if it were calculated using health care cost trend rates that are 1% lower or 1% higher than the current rates:

	0.81% 1% Decrease	1.81% Discount Rate	2.81% 1% Increase
OPEB plan liability			
Proprietary activities	\$ 1,746,000	\$ 1,614,341	\$ 1,496,402
Governmental activities	3,697,501	3,331,701	2,948,385
	\$ 5,443,501	\$ 4,946,042	\$ 4,444,787

The following presents the OPEB liability as of May 31, 2019, calculated using the discount rate of 3.64%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (4.20% to 3.18%)	Healthcare Cost Trend Rate (5.20% to 4.18%)	1% Increase (6.20% to 5.18%)
OPEB plan liability			
Proprietary activities	\$ 1,485,462	\$ 1,614,341	\$ 1,763,849
Governmental activities	3,007,460	3,331,701	3,718,042
	\$ 4,492,922	\$ 4,946,042	\$ 5,481,891

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

### Note 7 - Fund Balance

Fund balance is as follows:

	General	Sewer	Capital	Nonmajor
Nonspendable				
Prepaid expenditures	\$ 122,876	\$ -	-	\$ -
Restricted for				
Insurance reserve	29,899			-
Workers' compensation reserve	211,147	-	-	-
General capital reserve	1,275,077	-	-	-
Fire rolling stock reserve	618,523	-	-	-
Fire equipment reserve	98,650	-	-	-
Asset forfeiture	27,091	-	-	-
Permanent fund	-	-	-	23,875
	<u>2,260,387</u>	<u>-</u>	<u>-</u>	<u>23,875</u>
Assigned for				
Appropriated	237,000			-
Encumbrances	104,889			
Special revenue purposes	-	173,589		123,482
	<u>341,889</u>	<u>173,589</u>	<u>-</u>	<u>123,482</u>
Unassigned	<u>2,693,796</u>	<u>-</u>	<u>(173,173)</u>	<u>-</u>
Total fund balance	<u>\$ 5,418,948</u>	<u>\$ 173,589</u>	<u>\$ (173,173)</u>	<u>\$ 147,357</u>

### Note 8 - 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, 2020, \$515,015 was paid by the governmental activities, and \$543,937 was paid by the Electric Fund on behalf of 58 employees and 17 retirees. The cost of providing benefits for retirees is not separable from the cost of providing benefits for active employees.

### Note 9 - Interfund Transactions

Interfund balances are as follows at May 31, 2020:

Due From Other Funds	Due To Other Funds					Total
	General	Sewer	Capital Projects	Permanent	Electric	
General	\$ -	\$ 145,303	\$ -	\$ -	\$ 46,151	191,454
Capital Projects	73,867	-	-	-	-	73,867
Electric	43,697	-	-	-	-	43,697
	<u>\$ 117,564</u>	<u>\$ 145,303</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,151</u>	<u>\$ 309,018</u>
Transfer Out	Transfer In					Total
	General	Capital Projects	Sewer	Debt Service	Permanent	
General	\$ -	\$ 575,890	\$ 110	\$ 309,568	\$ 6,380	\$ 891,948
Sewer Fund	145,303	-	-	-	-	145,303
Capital Projects	140,272	-	-	-	-	140,272
	<u>\$ 285,575</u>	<u>\$ 575,890</u>	<u>\$ 110</u>	<u>\$ 309,568</u>	<u>\$ 6,380</u>	<u>\$ 1,177,523</u>

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

### Note 10 - 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 \$5,506,720 for the year ended May 31, 2020.

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 and transmission charges, and other related charges under these agreements totaled \$2,842,294 and \$3,096,071, respectively, for the year ended May 31, 2020.

#### *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 \$629,550 for the year ended May 31, 2020. These costs are included in electricity purchased.

#### *c. Clean Energy Standards*

Effective February 22, 2017, the PSC approved the Phase 1 Implementation Plan associated with PSC Case 15-E-0302, *Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard (CES)*. Case 15-E-0302 requires the procurement of Renewable Energy Credits (RECs) and Zero-Emissions Credits (ZECs) by all load serving entities (LSE) in New York State.

To comply with the CES, NYMPA purchased the required RECs and ZECs for the Electric Fund (as well as other NYMPA members). The cost of these RECs and ZECs were billed by NYMPA to the Electric Fund on a monthly basis. The billings for the RECs and ZECs commenced in January and February 2017, respectively.

The cost of the RECs and ZECs to the Electric Fund were \$1,702,312 for the year ended May 31, 2020. The costs associated with the RECs and ZECs have been passed onto the Electric Fund's customers, in their entirety, through the CES surcharge applied to each customer's monthly bill. As such, the impact of the RECs and ZECs on the Electric Fund's statement of revenues, expenses, and changes in net position is revenue neutral.

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

### Note 10 - Commitments - Continued

#### *d. 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.

#### *e. 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 11 - Risks and Uncertainties

The Electric Fund is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include prices on the wholesale markets for short-term power transactions; water conditions, weather, and natural disaster disruptions; collective bargaining labor disputes, and governmental regulation.

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

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, as delayed by GASB 95, are effective for reporting periods beginning after June 15, 2019.

GASB Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement, as delayed by GASB 95, are effective for reporting periods beginning after December 15, 2019.

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

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

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, as delayed by GASB 95, are effective for reporting periods beginning after June 15, 2021.

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; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective 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, as delayed by GASB 95, are effective for reporting periods beginning after June 15, 2019.

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, as delayed by GASB 95, are effective for reporting periods beginning after December 15, 2020.

GASB Statement No. 90, Majority Equity Interest. 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 requires the reporting of information about component units if the government acquires a 100% equity interest about the cost of services to be provide by the component unit in relation to the consideration provided to acquire the component unit. The requirements for this statement, as delayed by GASB 95, are effective for reporting periods beginning after December 15, 2019.

# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

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

GASB Statement No. 91, Conduit Debt Obligations. This statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice. This statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer, establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations, and improves note disclosures. The requirements for this statement, as delayed by GASB 95, are effective for reporting periods beginning after December 15, 2021.

GASB Statement No. 92, Omnibus 2020. This statement addresses a variety of topics including leases, intra-entity transfers, fiduciary activities, public entity risk pools/reinsurance recoveries, fair value measurements, and derivative instrument technology. The requirements of this statement, as delayed by GASB 95, are effective for periods beginning after June 15, 2021.

GASB Statement No. 93, Replacement of Interbank Offered Rates. This statement addresses governments that have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions to the reference rate. The objective of this statement is to address accounting and financial reporting implications that result from the replacement of IBOR, such as providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment, clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate, removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, and clarifying the definition of reference rate. The removal of the London IBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. The requirements relating to lease modifications, as delayed by GASB 95, are effective for reporting periods beginning after June 15, 2021. All other requirements of this statement are effective for reporting periods beginning after June 15, 2020.

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital assets (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which GASB defines in this statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.



# Village of Fairport, New York

## Notes to Financial Statements May 31, 2020

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

This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this statement are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Under this statement, a government generally should recognize a right-to-use subscription asset and a corresponding subscription liability. The requirements of this statement are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Service Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this statement are to (1) increase consistency and comparability relating to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution other postemployment benefit plan, or another employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board would typically perform. The requirements of this statement that (1) exempt primary governments that perform duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution other postemployment benefit plans, or other employee benefit plans and (2) limit the applicability of the financial burden criteria, are effective immediately. The requirements of this statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this statement that provide for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021.

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, 2020			
	Original Budget	Modified Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Real property taxes	\$ 2,924,943	\$ 2,924,943	\$ 2,923,539	\$ (1,404)
Real property tax items	106,071	106,071	120,631	14,560
Non-property tax items	1,875,035	1,735,000	1,756,512	21,512
Departmental revenues	135,005	135,005	128,863	(6,142)
Intergovernmental charges	896,774	832,371	815,265	(17,106)
Use of money and property	176,715	176,715	241,918	65,203
Fines and forfeitures	31,500	31,500	26,455	(5,045)
Licenses and permits	44,900	44,900	56,562	11,662
Sale of property and compensation for loss	1,000	1,000	28,432	27,432
Miscellaneous local sources	100,500	250,535	418,516	167,981
Interfund revenues	139,147	139,147	146,623	7,476
State aid	55,022	64,084	81,164	17,080
Federal aid	15,000	15,000	-	(15,000)
Total revenues	6,501,612	6,456,271	6,744,480	288,209
<b>EXPENDITURES</b>				
General government support	1,049,681	1,033,760	957,368	76,392
Public safety	1,518,860	1,520,360	1,497,809	22,551
Transportation	1,268,099	1,268,099	1,207,020	61,079
Economic opportunity and assistance	39,700	112,650	71,241	41,409
Culture and recreation	44,032	53,882	35,183	18,699
Home and community services	357,398	360,647	324,753	35,894
Employee benefits	1,479,381	1,453,381	1,407,580	45,801
Total expenditures	5,757,151	5,802,779	5,500,954	301,825
<b>Excess of revenues over expenditures</b>	<b>744,461</b>	<b>653,492</b>	<b>1,243,526</b>	<b>590,034</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriated interfund transfers in	153,776	153,776	285,575	131,799
Appropriated interfund transfer out	(334,807)	(299,807)	(891,948)	(592,141)
Budgetary provisions for other uses	(663,430)	(663,430)	-	663,430
Total other financing sources (uses)	(844,461)	(809,461)	(606,373)	203,088
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b>\$ (100,000)</b>	<b>\$ (155,969)</b>	637,153	<b>\$ 793,122</b>
<b>FUND BALANCE, beginning of year</b>			4,781,795	
<b>FUND BALANCE, end of year</b>			<b>\$ 5,418,948</b>	

## Village of Fairport, New York

### Required Supplementary Information Schedule of Other Postemployment Benefits Liability

	<b>Governmental Activities</b>	
	<b>May 31,</b>	
	<b>2020</b>	<b>2019</b>
Total OPEB liability - beginning	\$ 3,237,904	\$ 3,162,998
Charges for the year		
Service cost	141,178	137,503
Interest	117,765	115,604
Difference in expected and actual experience	(623,176)	8,007
Changes in assumptions and other inputs	654,262	6,655
Benefit payments	(196,232)	(192,863)
Net changes	93,797	74,906
Total OPEB liability - ending	<b>\$ 3,331,701</b>	<b>\$ 3,237,904</b>
Covered payroll	\$ 2,271,720	\$ 2,271,720
OPEB liability as a percentage of covered payroll	146.66%	142.53%

	<b>Business-Type Activities</b>	
	<b>May 31,</b>	
	<b>2020</b>	<b>2019</b>
Total OPEB liability - beginning	\$ 1,661,351	\$ 1,625,478
Charges for the year		
Service cost	54,215	52,974
Interest	58,453	57,465
Difference in expected and actual experience	(208,300)	56,062
Changes in assumptions and other inputs	184,336	3,079
Benefit payments	(135,744)	(133,707)
Net changes	(47,040)	35,873
Total OPEB liability - ending	<b>\$ 1,614,311</b>	<b>\$ 1,661,351</b>
Covered payroll	\$ 2,336,268	\$ 2,336,268
OPEB liability as a percentage of covered payroll	69.10%	71.11%

*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 Proportionate Share of the Net Pension Liability

	May 31,				
	2020	2019	2018	2017	2016
<b>New York State and Local Employees' Retirement System</b>					
Village's proportion of the net pension liability	0.0158907%	0.0150366%	0.0154072%	0.0148313%	0.0148324%
Village's proportionate share of the net pension liability	\$ 4,207,952	\$ 1,065,387	\$ 497,260	\$ 1,393,583	\$ 2,380,646
Village's covered-employee payroll	4,275,759	4,188,958	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	98.4%	25.4%	11.7%	31.2%	59.3%
Plan fiduciary net position as a percentage of the total pension liability	86.4%	96.3%	98.20%	94.7%	90.7%
<b>New York State and Local Police and Fire Retirement System</b>					
Village's proportion of the net pension liability	0.0280864%	0.0254318%	0.0248661%	0.0249858%	0.0293650%
Village's proportionate share of the net pension liability	\$ 1,501,201	\$ 426,507	\$ 251,336	\$ 517,868	\$ 869,434
Village's covered-employee payroll	914,820	871,450	813,952	768,297	791,780
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll	164.1%	48.9%	30.9%	67.4%	109.8%
Plan fiduciary net position as a percentage of the total pension liability	84.9%	95.1%	96.9%	93.5%	90.20%

*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

	May 31,				
	2020	2019	2018	2017	2016
<b>New York State and Local Employees' Retirement System</b>					
Contractually required contribution	\$ 592,286	\$ 603,821	\$ 644,879	\$ 617,750	\$ 714,150
Contributions in relation to the contractually required contribution	592,286	603,821	644,879	617,750	714,150
Contribution deficiency (excess)	-	-	-	-	-
Village's covered-employee payroll	4,275,759	4,188,958	4,266,862	4,470,700	4,014,917
Contribution as a percentage of covered-employee payroll	13.9%	14.4%	15.1%	13.8%	17.8%
<b>New York State and Local Police and Fire Retirement System</b>					
Contractually required contribution	188,186	\$ 174,389	\$ 187,748	\$ 180,984	\$ 190,584
Contributions in relation to the contractually required contribution	188,186	174,389	187,748	180,984	190,584
Contribution deficiency (excess)	-	-	-	-	-
Village's covered-employee payroll	914,820	871,450	813,952	768,297	791,780
Contribution as a percentage of covered-employee payroll	20.6%	20.0%	23.1%	23.6%	24.1%

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

# Village of Fairport, New York

## Supplementary Information Combining Balance Sheet - Non-Major Governmental Funds

	May 31, 2020		
	Permanent Fund	Permanent Fund - Cemetery	Total
<b>ASSETS</b>			
Cash and cash equivalents	<u>\$ 24,976</u>	<u>\$ 125,632</u>	<u>\$ 150,608</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	<u>1,101</u>	<u>2,150</u>	<u>3,251</u>
<b>FUND BALANCES</b>			
Restricted	23,875	-	23,875
Assigned	<u>-</u>	<u>123,482</u>	<u>123,482</u>
Total fund balances	<u>23,875</u>	<u>123,482</u>	<u>147,357</u>
	<u><b>\$ 24,976</b></u>	<u><b>\$ 125,632</b></u>	<u><b>\$ 150,608</b></u>

# Village of Fairport, New York

## Supplementary Information Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Governmental Funds

	Year Ended May 31, 2020			Total
	Permanent Fund	Debt Service	Permanent Fund - Cemetery	
<b>REVENUES</b>				
Use of money and property	\$ 361	\$ 4	\$ 521	\$ 886
Sale of property and compensation for loss	-	-	14,250	14,250
Miscellaneous local sources	-	-	2,370	2,370
Total revenues	361	4	17,141	17,506
<b>EXPENDITURES</b>				
General government support	6,159	-	-	6,159
Home and community services	-	-	12,151	12,151
Debt service				
Principal	-	257,000	-	257,000
Interest	-	52,572	-	52,572
Total expenditures	6,159	309,572	12,151	327,882
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(5,798)</b>	<b>(309,568)</b>	<b>4,990</b>	<b>(310,376)</b>
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	6,380	309,568	-	315,948
<b>Excess of revenues and other financing sources over expenditures</b>	<b>582</b>	<b>-</b>	<b>4,990</b>	<b>5,572</b>
<b>FUND BALANCES, beginning of year</b>	23,293	-	118,492	141,785
<b>FUND BALANCES, end of year</b>	<b>\$ 23,875</b>	<b>\$ -</b>	<b>\$ 123,482</b>	<b>\$ 147,357</b>



**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, the aggregate discretely presented component units, 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, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated October 29, 2020. Our audit report includes a reference to other auditors who audited the financial statements of the Fairport Industrial Development Agency, Fairport Local Development Corporation, and Fairport Urban Renewal Agency, the aggregate discretely presented component units. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors

**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 financial statements. 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  
September 24, 2020

