



Village of Fairport, New York

Financial Report

May 31, 2021

Village of Fairport, New York

Financial Report

May 31, 2021

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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, 2021, 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, 2021, 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 November 18, 2021, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

BST+Co.CPAs, LLP

Albany, New York
November 18, 2021



Village of Fairport, New York

Management's Discussion and Analysis May 31, 2021

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, 2021. We encourage readers to consider the information presented here in conjunction with our financial statements, which can be found on pages 12 through 53 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, 2021 by \$20,0765,303, representing net position. Of this amount, \$17,752,617 represents the Village's net investment in capital assets (capital assets, less long-term liabilities used to acquire capital assets), and \$3,016,436 is restricted for capital projects, insurance, workers compensation claims, cemetery operations and the asset forfeiture program. The remaining amount represents unrestricted net deficit, is \$703,749. The Village's unrestricted net position is significantly impacted by noncurrent liabilities such as the net pension liability and other postemployment benefit obligations.
- The assets of the Business Type Activities of the Village exceeded liabilities on May 31, 2021 by \$24,735,383, representing net position. Of this amount, \$22,041,212 represents the Village's net investment in capital assets (capital assets, less long-term liabilities used to acquire capital assets), and \$989,193 is restricted for future capital improvements. The remaining amount, which represents an unrestricted surplus of net position, is \$1,704,978.
- At May 31, 2021, the Village's governmental funds reported a combined ending fund balance of \$6,586,577, of which \$122,176 of the fund balance was nonspendable and was related to a prepayment of workers' compensation premiums, \$3,016,435 was restricted for various purposes and \$735,964 was assigned for future appropriations, encumbered balances, sewer related activity and cemetery related activity. The remaining amount, which represents unassigned fund balance, is \$2,712,002.

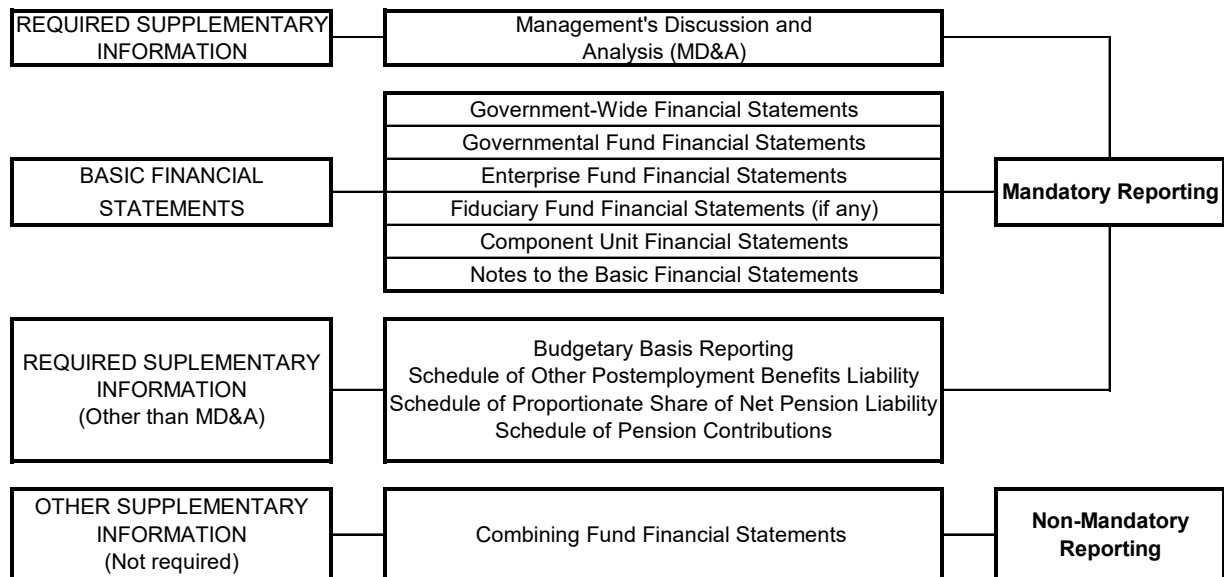
Overview of the Financial Statements

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, 2021

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, 2021

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, and two permanent funds, (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 14 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 Village did not have any fiduciary funds as of or for the year ended May 31, 2021.

Village of Fairport, New York

Management's Discussion and Analysis May 31, 2021

Overview of the Financial Statements - Continued

Aggregate Discretely Presented 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 21 and 22.

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 23 through 53 of this report.

Table 1 -Condensed Statement Net Position as of May 31, 2021 and 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current assets	\$ 7,041,376	\$ 6,537,533	\$ 6,833,858	\$ 6,133,504	\$ 13,875,234	\$ 12,671,037
Noncurrent assets	20,032,617	19,796,081	29,847,827	30,204,120	49,880,444	50,000,201
Total assets	27,073,993	26,333,614	36,681,685	36,337,624	63,755,678	62,671,238
DEFERRED OUTFLOWS OF RESOURCES	2,315,818	2,115,431	2,376,753	2,312,144	4,692,571	4,427,575
LIABILITIES						
Current liabilities	772,997	1,232,511	2,567,191	2,457,423	3,340,188	3,689,934
Noncurrent liabilities	5,028,979	8,130,173	8,720,079	12,156,945	13,749,058	20,287,118
Total liabilities	5,801,976	9,362,684	11,287,270	14,614,368	17,089,246	23,977,052
DEFERRED INFLOWS OF RESOURCES	3,522,532	432,347	3,035,825	204,740	6,558,357	637,087
NET POSITION						
Net investment in capital assets	17,752,617	17,786,081	22,041,212	21,590,764	39,793,829	39,376,845
Restricted	3,016,435	2,284,262	989,193	958,374	4,005,628	3,242,636
Unrestricted deficit	(703,749)	(1,416,329)	1,704,938	1,281,522	1,001,189	(134,807)
Total net position	<u>\$ 20,065,303</u>	<u>\$ 18,654,014</u>	<u>\$ 24,735,343</u>	<u>\$ 23,830,660</u>	<u>\$ 44,800,646</u>	<u>\$ 42,484,674</u>

In total, the Village experienced an increase in net position during 2021 totaling \$2.3 million. 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 \$44.8 million at May 31, 2021. Governmental Activity total assets increased by \$1.4 million due to surpluses in the governmental funds and continued investment in capital assets. The Village invested approximately \$1.3 million in the Bicentennial Canal Gateway project, of which grant proceeds of \$740 thousand were received during the year. Business-type activity total assets remained relatively consistent.

By far, the largest portion, \$39,793,829, of the Village's net position (89%) 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, 2021

Overview of the Financial Statements - Continued

Government-Wide Financial Analysis - Continued

Table 2 - Changes in Net Position for the Fiscal Years Ended May 31, 2021 and 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
REVENUES						
Program revenues						
Charges for services	\$ 1,361,011	\$ 1,445,134	\$ 24,421,579	\$ 22,832,861	\$ 25,782,590	\$ 24,277,995
Operating grants and contributions	324,356	59,043	-	-	324,356	59,043
Capital grants and contributions	877,250	697,441	-	-	877,250	697,441
General Revenues						
Real property taxes and items	3,282,486	3,044,170	-	-	3,282,486	3,044,170
Nonproperty taxes	1,815,975	1,756,512	-	-	1,815,975	1,756,512
Other revenues	558,727	769,232	129,516	151,684	688,243	920,916
Total revenues	<u>8,219,805</u>	<u>7,771,532</u>	<u>24,551,095</u>	<u>22,984,545</u>	<u>32,770,900</u>	<u>30,756,077</u>
EXPENSES						
General government support	1,182,935	1,494,524	-	-	1,182,935	1,494,524
Public safety	2,113,215	2,657,599	-	-	2,113,215	2,657,599
Transportation	1,976,919	2,719,884	-	-	1,976,919	2,719,884
Economic opportunity and assistance	30,502	109,437	-	-	30,502	109,437
Culture and recreation	152,911	125,271	-	-	152,911	125,271
Home and community services	1,299,124	883,863	23,400,832	22,593,670	24,699,956	23,477,533
Interest on long-term debt	52,910	52,051	245,580	287,910	298,490	339,961
Total expenses	<u>6,808,516</u>	<u>8,042,629</u>	<u>23,646,412</u>	<u>22,881,580</u>	<u>30,454,928</u>	<u>30,924,209</u>
CHANGES IN NET POSITION	1,411,289	(271,097)	904,683	102,965	2,315,972	(168,132)
NET POSITION, beginning of year	<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>
NET POSITION, end of year	<u>\$ 20,065,303</u>	<u>\$ 18,654,014</u>	<u>\$ 24,735,343</u>	<u>\$ 23,830,660</u>	<u>\$ 44,800,646</u>	<u>\$ 42,484,674</u>

Governmental Activities. Governmental activities increased the Village's net position by \$1,419,397.

Total revenues increased by \$448 thousand or 5.7%. Virtually all revenue sources experienced an increase from the prior year. Total expenses decreased by \$1.25 million or 15.5%. The decline is almost entirely related to the recognition of OPEB and net pension liability on the accrual basis of accounting. During 2020, changes in these long-term liabilities, adversely impacted net position by \$762 thousand. In 2021 changes in these long-term liabilities positively impacted net position by \$419 thousand, a year over year difference of \$1.18 million.

Business-type Activities. Business-type activities consisting of the Electric Fund, increased the Village's net position by \$905 thousand.

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 \$6,586,577 an increase of \$1,019,856 from the prior year, primarily caused by surpluses in the General, Sewer and Capital Projects Fund, offset by a small deficit in the Other Governmental Funds.

Village of Fairport, New York

Management's Discussion and Analysis May 31, 2021

Financial Analysis of the Village's Funds - Continued

Governmental Funds - Continued

Out of the total fund balance, \$122,176 is in non-spendable form and, therefore, is not available for new spending, \$1,799,971 is restricted under the Capital Plan for General Capital Improvements, \$760,160 is restricted under the Capital Plan for Fire Department Vehicles, \$171,870 is restricted under the Capital Plan for Fire Department equipment purchases, \$20,059 is restricted under the Asset Forfeiture program, \$23,087 is restricted for permanent cemetery improvements, \$29,929 is reserved for insurance claims, and \$211,359 is reserved for workers' compensation claims. \$735,964 of the Village's total fund balance is assigned, \$253,395 was appropriated to balance the 2021-2022 General fund budget, \$26,170 is encumbered for ongoing 2020-2021 General fund contracts and the remaining \$456,399 is assigned for sewer related activities, and cemetery related activities. The remaining amount, which represents unassigned fund balances, is \$2,712,002.

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 \$2,712,564, while total fund balance was \$6,107,653. 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 and other financing uses, while total fund balance represents approximately 96% of that same amount. The overall fund balance of the Village's General Fund increased by \$688,705 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 \$303,944. This favorable budget variance is due to (1) higher than anticipated Sales Tax as the market recovered from the pandemic, (2) higher than anticipated Mortgage Tax (state aid) due to a significant number of refinancings noting record low interest rates and (3) unanticipated Federal Aid from the CARES Act passed through Monroe County. General Fund expenditures were lower than the modified budget by \$649,505. This favorable budget variance is due to (1) staff turnover including retirements with no replacement, (2) budgetary savings in the Information Technology Department, (3) a delay in the annual Slurry Seal project due to scheduling issues (4) a milder winter than expected causing lower than anticipated snow removal costs, (5) lower than expected retirement costs noting NYS delayed the rate increase and (5) lower than expected rate increases in health care benefits.

Capital Asset and Debt Administration

Table 3 - Capital Assets as of May 31, 2021 and 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Buildings	\$ 3,025,687	\$ 3,012,897	\$ 5,625,173	\$ 5,593,338	\$ 8,650,860	\$ 8,606,235
Machinery and equipment	6,381,174	6,253,815	4,568,154	4,478,988	10,949,328	10,732,803
Infrastructure	47,859,272	47,482,193	45,637,696	44,508,265	93,496,968	91,990,458
Accumulated depreciation	(39,817,378)	(38,383,690)	(26,833,359)	(25,182,164)	(66,650,737)	(63,565,854)
Total depreciable assets	17,448,755	18,365,215	28,997,664	29,398,427	46,446,419	47,763,642
Land	702,357	702,357	600,069	600,069	1,302,426	1,302,426
Construction-in-progress	1,881,505	728,509	250,094	205,624	2,131,599	934,133
Total non-depreciable assets	2,583,862	1,430,866	850,163	805,693	3,434,025	2,236,559
Total capital assets, net	\$ 20,032,617	\$ 19,796,081	\$ 29,847,827	\$ 30,204,120	\$ 49,880,444	\$ 50,000,201

Village of Fairport, New York

Management's Discussion and Analysis May 31, 2021

Capital Asset and Debt Administration - Continued

The Village's investment in capital assets for its governmental and business-type activities as of May 31, 2021, amounts to \$49,892,492 (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 30 and Note 3 on page 34 of this report.

Table 4 - Long-Term Debt as of May 31, 2021 and 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds						
Principal	\$ 2,280,000	\$ 2,010,000	\$ 7,392,250	\$ 8,089,750	\$ 9,672,250	\$ 10,099,750
Unamortized premiums	-	-	126,847	11,548	126,847	11,548
Total	2,280,000	2,010,000	7,519,097	8,101,298	9,799,097	10,111,298
Notes Payable						
New York Power Authority	-	-	287,518	512,058	287,518	512,058
Total long-term debt	<u>\$ 2,280,000</u>	<u>\$ 2,010,000</u>	<u>\$ 7,806,615</u>	<u>\$ 8,613,356</u>	<u>\$ 10,086,615</u>	<u>\$ 10,623,356</u>

At the end of the current fiscal year, the Village had total bonded debt outstanding of \$9,799,097. 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 \$287,518 as of May 31, 2021.

Future Economic Factors

The Village of Fairport community is one that is proud and desires to have a high quality of life associated with its Village. The Village strives to meet the expectations and standards set forth by its residents to ensure Fairport is represented proudly by our residents and visitors. Fairport is one of the few upstate New York Villages that provide a full array of services which include, police, fire, public works, refuse collections, leaf pickup, canal services and an electric utility. This is no small feat. Fairport is *"Always Progressing Forward"*. As we continue to progress forward and enhance the services and vibrancy of our community, continuous maintenance and investment must be at the forefront of our fiscal strategy to ensure a long-term and desirable presence where people smile when they call Fairport home. Continued growth in assessed valuation tells you that our residents, commercial property owners and future developers value the environment that this Village provides and are willing to make significant investments in both real property purchases, improvements, and new developments in order to be a part of this community. A measure of our economic growth and desirous community can be given context by the numbers. Since the 14-15 fiscal year, the cumulative taxable assessed valuation growth has increased by 16.3% or over \$60 million. As we prepared 2021-2022 budget, the Town of Perinton conducted another full assessment review of all real property in the Village which concluded in an overall assessment increase of 10% and a residential sector increase of 13%. Due to the COVID pandemic, the assessment equalization was not instituted by the Town of Perinton, however should be incorporated in the following fiscal year. The investments in our community and the philosophy of continuous improvement and progression are a key component in keeping Fairport a premier community to live, visit, raise a family and attend the occasional festival or pop-up event. We have been known to do this sort of thing.

The Village of Fairport adopted the 2021-2022 budget of \$6,931,992. The Village of Fairport continued its efforts to be fiscally conservative in adopting a total budget increase of only .33% or \$23,098 over the prior year budget. Due to the Village's ability to control spending and budget appropriately, the Tax Levy (revenue raised by taxes) decreased by 2.09% thereby providing an approximate decrease of \$2 in the average tax bill.

Village of Fairport, New York

Management's Discussion and Analysis May 31, 2021

Future Economic Factors - Continued

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 \$581,319 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 \$1,332,870 on general projects, including continued enhancements to the West Banks of the Erie Canal, street resurfacing, and equipment and \$198,000 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. The Village has partnered with an engineering firm to document, televise and set up necessary structures to properly maintain and operate its Sanitary Sewer Collection System project. The Village kept the per parcel fee flat at \$175 per parcel for the 2021-2022 fiscal year.

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 6th year in a row, the Village received national recognition for achieving exceptional electric reliability. In 2021-2022, the Electric Fund is proposed to spend \$26,597,022 which is an increase of \$755,413 or 2.8% from the 2020-2021 budget. The 2021-2022 budget assumes that the Village is successful in the ongoing rate case/design that has been underway with the NYS Public Service Commission since January 2021. During fiscal year 2021-2022, 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. The Village is hopeful to have the full Village Fleet electrified within five years or as the market produces the necessary electric equipment required to serve the community. The Village has 26 individual charges for electric vehicle users and will be obtaining two (2) new DC fast chargers this fiscal year. These chargers have the capacity to fully charge a vehicle in approximately ten minutes should the vehicle have the capacity to charge at this rate. Fairport Electric will be working to electrify and provide innovative lighting enhancements on the new NW Bank Enhancement Project as well as Liftbridge Lane W. New lighting may continue on Liftbridge Lane E. depending on the success of the west side of the street. This is the true value of public power.

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, 2021			
	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and cash equivalents	\$ 3,335,344	\$ 2,733,571	\$ 6,068,915	\$ 2,400,114
Cash and cash equivalents, restricted	3,006,139	1,212,970	4,219,109	917
Investments	-	-	-	1,218,982
Receivables				
Accounts, net	12,079	1,139,996	1,152,075	38,751
Current portion of notes, loans and leases receivable	-	-	-	289,636
Due from other governments	332,774	-	332,774	-
State and federal receivables	229,927	-	229,927	-
Inventory	-	1,175,590	1,175,590	-
Prepaid expenses	122,176	574,668	696,844	31,925
Internal balances	2,937	(2,937)	-	-
Total current assets	7,041,376	6,833,858	13,875,234	3,980,325
NONCURRENT ASSETS				
Notes, loans and leases receivable, net of current portion	-	-	-	848,405
Capital assets				
Land and construction in progress	2,583,862	850,163	3,434,025	218,066
Buildings, machinery, equipment, and infrastructure, net	17,448,755	28,997,664	46,446,419	366,846
Total noncurrent assets	20,032,617	29,847,827	49,880,444	1,433,317
Total assets	27,073,993	36,681,685	63,755,678	5,413,642
DEFERRED OUTFLOWS OF RESOURCES	2,315,818	2,376,753	4,692,571	232,009
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable and other current liabilities	369,244	1,317,042	1,686,286	60,025
Interest payable	3,706	1,781	5,487	-
Unearned revenues	-	189,995	189,995	526,308
Due to other governments	85,047	97,644	182,691	21,216
Customer deposits	-	221,996	221,996	-
Current maturities of bonds payable	315,000	578,250	893,250	-
Current maturities of notes payable	-	160,483	160,483	-
Total current liabilities	772,997	2,567,191	3,340,188	607,549
NONCURRENT LIABILITIES				
Bonds payable	1,965,000	6,940,847	8,905,847	-
Notes payable	-	127,035	127,035	-
Compensated absences	50,487	37,702	88,189	33,406
Net pension liability	451,622	9,782	461,404	231,150
Other postemployment benefits	2,561,870	1,604,713	4,166,583	70,596
Total noncurrent liabilities	5,028,979	8,720,079	13,749,058	335,152
Total liabilities	5,801,976	11,287,270	17,089,246	942,701
DEFERRED INFLOWS OF RESOURCES	3,522,532	3,035,825	6,558,357	187,924
NET POSITION				
Net investment in capital assets	17,752,617	22,041,212	39,793,829	584,912
Restricted for				
Capital improvements	2,732,001	989,193	3,721,194	-
Section 8	-	-	-	148,309
Insurance and workers compensation	241,288	-	241,288	-
Other	43,146	-	43,146	-
Unrestricted	(703,749)	1,704,938	1,001,189	3,781,805
Total net position	\$ 20,065,303	\$ 24,735,343	\$ 44,800,646	\$ 4,515,026

See accompanying Notes to Financial Statements.

Village of Fairport, New York

Statement of Activities

Year Ended May 31, 2021

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	
GOVERNMENTAL ACTIVITIES								
General government support	\$ 1,182,935	\$ 18,173	\$ 323,869	\$ 2,292	\$ (838,601)	\$ -	\$ (838,601)	\$ -
Public safety	2,113,215	804,333	487	-	(1,308,395)	-	(1,308,395)	-
Transportation	1,976,919	-	-	135,031	(1,841,888)	-	(1,841,888)	-
Economic opportunity and assistance	30,502	-	-	-	(30,502)	-	(30,502)	-
Culture and recreation	152,911	36,010	-	739,927	623,026	-	623,026	-
Home and community services	1,299,124	502,495	-	-	(796,629)	-	(796,629)	-
Interest on long-term debt	52,910	-	-	-	(52,910)	-	(52,910)	-
Total governmental activities	6,808,516	1,361,011	324,356	877,250	(4,245,899)	-	(4,245,899)	-
BUSINESS-TYPE ACTIVITIES								
Electric	23,646,412	24,421,579	-	-	-	775,167	775,167	-
Total primary government	\$ 30,454,928	\$ 25,782,590	\$ 324,356	\$ 877,250	(4,245,899)	775,167	(3,470,732)	-
Total component units - September 30, 2020	\$ 3,751,293	\$ 589,298	\$ 2,478,892					(683,103)
GENERAL REVENUES								
Real property tax and related tax items					3,282,486	-	3,282,486	210,896
Non-property taxes					1,815,975	-	1,815,975	-
Other general revenue items					108,126	64,380	172,506	-
Miscellaneous local sources					77,945	-	77,945	-
Sale of property and compensation for loss					69,428	-	69,428	-
Use of money and property					221,095	65,136	286,231	73,800
Unrestricted state aid					82,133	-	195,587	-
Total general revenues					5,657,188	129,516	5,900,158	284,696
CHANGES IN NET POSITION					1,411,289	904,683	2,315,972	(398,407)
NET POSITION, beginning of year					18,654,014	23,830,660	42,484,674	4,913,433
NET POSITION, end of year					\$ 20,065,303	\$ 24,735,343	\$ 44,800,646	\$ 4,515,026

See accompanying Notes to Financial Statements.

Village of Fairport, New York

Balance Sheet - Governmental Funds

	May 31, 2021					
	Major Funds					
	General	Sewer District	Capital Projects	Other Governmental	Elimination	Total
ASSETS						
Cash and cash equivalents	\$ 2,671,684	\$ 508,526	\$ 8,809	\$ 146,325	\$ -	\$ 3,335,344
Cash and cash equivalents, restricted	3,006,139	-	-	-	-	3,006,139
Accounts receivable	12,079	-	-	-	-	12,079
Due from other governments	332,774	-	-	-	-	332,774
Due from other funds	439,740	-	193,974	-	(586,360)	47,354
Due from state and federal governments	-	-	229,927	-	-	229,927
Prepaid expenses	122,176	-	-	-	-	122,176
Total assets	\$ 6,584,592	\$ 508,526	\$ 432,710	\$ 146,325	\$ (586,360)	\$ 7,085,793
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts payable and accrued expenses	\$ 153,000	\$ 7,298	\$ 203,345	\$ 5,601	\$ -	\$ 369,244
Due to other governments	85,047	-	-	-	-	85,047
Due to other funds	238,384	162,466	229,927	-	(586,360)	44,417
	476,431	169,764	433,272	5,601	(586,360)	498,708
DEFERRED INFLOWS OF RESOURCES	508	-	-	-	-	508
FUND BALANCES						
Nonspendable	122,176	-	-	-	-	122,176
Restricted	2,993,348	-	-	23,087	-	3,016,435
Assigned	279,565	338,762	-	117,637	-	735,964
Unassigned	2,712,564	-	(562)	-	-	2,712,564
Total fund balances	6,107,653	338,762	(562)	140,724	-	6,586,577
Total liabilities and fund balances	\$ 6,584,592	\$ 508,526	\$ 432,710	\$ 146,325	\$ (586,360)	\$ 7,085,793

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, 2021</u>
Total fund balances in the fund financial statements for the governmental funds	\$ 6,586,577
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.	20,032,617
Some liabilities (listed below) are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable	(2,280,000)
Interest payable	(3,706)
Compensated absences	(50,487)
Net pension liability, net of deferred amounts	(1,231,942)
OPEB, net of deferred amount	<u>(2,988,264)</u>
	(6,554,399)
Receivable balances not collected within the Village's availability period are reported as deferred inflows of resources in the fund financial statements.	<u>508</u>
Total net position, end of year	<u><u>\$ 20,065,303</u></u>

Village of Fairport, New York

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

	Year Ended May 31, 2021				
	Major Funds				
	General	Sewer District	Capital Projects	Other Governmental	Total
REVENUES					
Real property taxes	\$ 3,123,918	\$ -	\$ -	\$ -	\$ 3,123,918
Real property tax items	158,568	-	-	-	158,568
Non-property tax items	1,815,975	-	-	-	1,815,975
Departmental revenues	100,227	378,525	-	-	478,752
Intergovernmental charges	801,016	34,206	-	-	835,222
Use of money and property	174,169	-	-	1,502	175,671
Fines and forfeitures	14,973	-	-	-	14,973
Licenses and permits	28,220	-	-	-	28,220
Sale of property and compensation for loss	65,928	-	-	3,500	69,428
Miscellaneous local sources	222,581	-	360,000	2,480	585,061
Interfund revenues	109,295	-	-	-	109,295
State aid	82,620	-	514,958	-	597,578
Federal aid	181,734	-	-	-	181,734
Total revenues	<u>6,879,224</u>	<u>412,731</u>	<u>874,958</u>	<u>7,482</u>	<u>8,174,395</u>
EXPENDITURES					
General government support	961,903	-	16,010	22,484	1,000,397
Public safety	1,511,817	-	88,634	-	1,600,451
Transportation	1,131,162	-	421,685	-	1,552,847
Economic opportunity and assistance	23,133	-	-	-	23,133
Culture and recreation	57,671	-	1,291,375	-	1,349,046
Home and community services	419,817	85,092	-	12,995	517,904
Employee benefits	1,374,760	-	-	-	1,374,760
Debt service					
Principal	-	-	-	265,000	265,000
Interest	-	-	-	51,425	51,425
Total expenditures	<u>5,480,263</u>	<u>85,092</u>	<u>1,817,704</u>	<u>351,904</u>	<u>7,734,963</u>
Excess (deficiency) of revenues over expenditures	<u>1,398,961</u>	<u>327,639</u>	<u>(942,746)</u>	<u>(344,422)</u>	<u>439,432</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	162,466	-	552,280	322,365	1,037,111
Operating transfers out	(872,722)	(162,466)	(1,923)	-	(1,037,111)
Proceeds from refunding bond premium				45,424	45,424
Proceeds from refunding bond				310,000	310,000
Payments to escrow agent for bond refunding				(340,000)	(340,000)
Proceeds from issuance of debt	-	-	565,000	-	565,000
	<u>(710,256)</u>	<u>(162,466)</u>	<u>1,115,357</u>	<u>337,789</u>	<u>580,424</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>688,705</u>	<u>165,173</u>	<u>172,611</u>	<u>(6,633)</u>	<u>1,019,856</u>
FUND BALANCES, beginning of year	<u>5,418,948</u>	<u>173,589</u>	<u>(173,173)</u>	<u>147,357</u>	<u>5,566,721</u>
FUND BALANCES, end of year	<u>\$ 6,107,653</u>	<u>\$ 338,762</u>	<u>\$ (562)</u>	<u>\$ 140,724</u>	<u>\$ 6,586,577</u>

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</u>
	<u>May 31, 2021</u>
et change in fund balances shown for total governmental funds	\$ 1,019,856
his amount differs from the change in net position shown in the statement of activities because of the following:	
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.	
Capital asset additions	1,839,226
Loss on disposal	(12,048)
Depreciation expense	<u>(1,590,642)</u> 236,536
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.	419,227
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:	
Repayment of principal	265,000
Repayment to escrow agent	30,000
Long-term debt proceeds	<u>(565,000)</u> (270,000)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditure is reported when due.	(1,485)
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.	(14)
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).	<u>7,169</u>
Change in net position of governmental activities shown in the statement of activities	<u><u>\$ 1,411,289</u></u>

Village of Fairport, New York

Statement of Net Position - Enterprise Fund

	<u>May 31, 2021</u>
	<u>Electric</u>
	<u>Fund</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS	
Cash and cash equivalents	\$ 2,733,571
Cash and cash equivalents, restricted	1,212,970
Accounts receivable, net	1,139,996
Due from other funds	44,410
Inventory	1,175,590
Prepaid expenses	574,668
Total current assets	<u>6,881,205</u>
NONCURRENT ASSETS	
Capital assets, net	29,847,827
Total assets	<u>36,729,032</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension resources	1,952,206
Other postemployment benefits	137,029
Other	287,518
Total deferred outflows of resources	<u>2,376,753</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	1,317,042
Interest payable	1,781
Customer deposits	221,996
Due to other funds	47,347
Due to other governments	97,644
Advanced billings and payments	189,995
Current maturities of bonds payable	578,250
Current maturities of notes payable	160,483
Total current liabilities	<u>2,614,538</u>
NONCURRENT LIABILITIES	
Bonds payable	6,940,847
Notes payable	127,035
Compensated absences	37,702
Net pension liability	9,782
Other postemployment benefits	1,604,713
Total noncurrent liabilities	<u>8,720,079</u>
Total liabilities	<u>11,334,617</u>
DEFERRED INFLOWS OF RESOURCES	
Pension resources	2,919,250
OPEB resources	116,575
Total deferred inflows of resources	<u>3,035,825</u>
NET POSITION	
Net investment in capital assets	22,041,212
Restricted	989,193
Unrestricted	1,704,938
Total net position	<u><u>\$ 24,735,343</u></u>

See accompanying Notes to Financial Statements.

Village of Fairport, New York

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

	Year Ended May 31, 2021
	Electric Fund
OPERATING REVENUES	
Charges for services	<u>\$ 24,421,579</u>
OPERATING EXPENSES	
Personal services	3,059,979
Employee benefits	924,780
Contractual expenses	
Taxes	807,088
Executive department	278,165
Services, supplies, and operations	16,462,655
Depreciation	<u>1,868,165</u>
Total operating expenses	<u>23,400,832</u>
Operating income	<u>1,020,747</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	1,198
Other revenue	64,380
Rental revenue	63,938
Interest expense	<u>(245,580)</u>
Total nonoperating expenses	<u>(116,064)</u>
Change in net position	904,683
NET POSITION, <i>beginning of year</i>	<u>23,830,660</u>
NET POSITION, <i>end of year</i>	<u>\$ 24,735,343</u>

Village of Fairport, New York

Statement of Cash Flows - Enterprise Fund

	Year Ended May 31, 2021 Electric Fund
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Cash received from providing services	\$ 24,478,517
Cash payments for contractual expenses	(17,776,301)
Cash payments for personal services	(3,053,989)
Cash payments for employee benefits	(863,675)
	2,784,552
NET CASH PROVIDED BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES	
Other revenue	64,380
Rental revenue	63,938
	128,318
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on bonds and notes	(922,040)
Interest paid	(250,920)
Acquisition of capital assets	(1,548,080)
	(2,721,040)
NET CASH PROVIDED BY INVESTING ACTIVITIES	
Interest income	1,198
Net increase in cash and cash equivalents	193,028
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	3,633,513
CASH AND CASH EQUIVALENTS, <i>end of year</i>	\$ 3,826,541
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	\$ 1,020,747
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation	1,904,373
Change in assets and liabilities	
Prepaid expenses	(55,898)
Accounts receivable	(133,057)
Inventory	(198,854)
Deferred outflows of resources	(64,609)
Accounts payable and accrued expenses	7,649
Accrued other postemployment benefits	(9,628)
Advances to/from other Village funds	483
Customer deposits	(15,345)
Advanced billings and payments	189,995
Due to other governments	3,354
Net pension liability	(2,708,555)
Compensated absences	12,812
Deferred inflows of resources	2,831,085
	\$ 2,784,552

See accompanying Notes to Financial Statements.

Village of Fairport, New York

Combining Statement of Net Position - Discretely Presented Component Units

	September 30, 2020			
	Industrial Development Agency	Local Development Corporation	Urban Renewal Renewal Agency	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and cash equivalents	\$ 783,526	\$ 594,749	\$ 1,021,839	\$ 2,400,114
Restricted cash - FSS escrow	-	-	917	917
Investments	1,218,982	-	-	1,218,982
Receivables				
Accounts	-	2,318	-	2,318
Due from related party	-	-	36,433	36,433
Current portion of notes, loans and leases receivable	-	246,392	43,244	289,636
Prepaid expenses	7,199	4,455	20,271	31,925
Total current assets	2,009,707	847,914	1,122,704	3,980,325
NONCURRENT ASSETS				
Notes, loans and leases receivable, net of current portion	194,191	259,199	395,015	848,405
Land and construction in progress	218,066	-	-	218,066
Improvements and Equipment, net	357,891	-	8,955	366,846
Total noncurrent assets	770,148	259,199	403,970	1,433,317
Total assets	2,779,855	1,107,113	1,526,674	5,413,642
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pension	-	-	182,604	182,604
Deferred outflows of resources - OPEB	-	-	49,405	49,405
Total deferred outflows of resources	-	-	232,009	232,009
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Accounts Payable and other current liabilities	11,230	6,590	4,855	22,675
FSS - escrow	-	-	917	917
Unearned revenue	4,249	156,598	365,461	526,308
Due to other governments	-	-	21,216	21,216
Due to related party	36,433	-	-	36,433
Total current liabilities	51,912	163,188	392,449	607,549
NONCURRENT LIABILITIES				
Compensated absences	-	-	33,406	33,406
Net pension liability	-	-	231,150	231,150
Other postemployment benefit obligation	-	-	70,596	70,596
Total noncurrent liabilities	-	-	335,152	335,152
Total liabilities	51,912	163,188	727,601	942,701
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pension	-	-	11,642	11,642
Deferred inflows of resources - OPEB	-	-	176,282	176,282
Total deferred inflows of resources	-	-	187,924	187,924
NET POSITION				
Net investment in capital assets	575,957	-	8,955	584,912
Restricted	-	-	148,309	148,309
Unrestricted	2,151,986	943,925	685,894	3,781,805
Total net position	\$ 2,727,943	\$ 943,925	\$ 843,158	\$ 4,515,026

See accompanying Notes to Financial Statements.

Village of Fairport, New York

Combining Statement of Activities - Discretely Presented Component Units

	September 30, 2020			
	Industrial Development Agency	Local Development Corporation	Urban Renewal Agency	Total
REVENUES				
HUD grant revenue	\$ -	\$ -	\$ 2,471,892	\$ 2,471,892
Management services agreement	-	-	280,000	280,000
PILOT Payments	210,896	-	-	210,896
Rental of real property	100,985	9,270	-	110,255
Contract income	-	55,738	-	55,738
State grant	7,000	-	-	7,000
PILOT fee incomes	76,673	-	-	76,673
Program income (notes, loans)	1,737	27,839	22,591	52,167
Miscellaneous revenue	11,317	-	3,148	14,465
Total revenues	<u>408,608</u>	<u>92,847</u>	<u>2,777,631</u>	<u>3,279,086</u>
OPERATING EXPENSES				
Housing assistance payments	-	-	2,166,701	2,166,701
Personal services	-	-	281,903	281,903
Management services agreement	275,000	5,000	-	280,000
Liftbridge initiative	-	30,339	-	30,339
Pandemic initiative	-	17,899	-	17,899
Employee benefits	-	-	149,274	149,274
Professional fees	76,550	10,938	37,402	124,890
Depreciation	20,974	-	2,796	23,770
Community support	315,750	34,000	-	349,750
Insurance	6,503	-	-	6,503
Miscellaneous expenses	41,949	-	-	41,949
Office supplies and postage	-	-	63,530	63,530
Grant payments	-	-	27,209	27,209
Other	-	13,468	22,599	36,067
Allowance for loan gain (loss)	-	119,047	32,462	151,509
Total operating expenses	<u>736,726</u>	<u>230,691</u>	<u>2,783,876</u>	<u>3,751,293</u>
Operating loss	(328,118)	(137,844)	(6,245)	(472,207)
NON-OPERATING REVENUE				
Net investment income	<u>71,576</u>	<u>1,856</u>	<u>368</u>	<u>73,800</u>
CHANGE IN NET POSITION	(256,542)	(135,988)	(5,877)	(398,407)
NET POSITION, beginning of year	<u>2,984,485</u>	<u>1,079,913</u>	<u>849,035</u>	<u>4,913,433</u>
NET POSITION, end of year	<u>\$ 2,727,943</u>	<u>\$ 943,925</u>	<u>\$ 843,158</u>	<u>\$ 4,515,026</u>

See accompanying Notes to Financial Statements.

Village of Fairport, New York

Notes to Financial Statements May 31, 2021

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, 2021

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, 2021

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 fiduciary funds (if any), 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. At times, the Village may maintain fiduciary funds, which are 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, 2021

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 Village did not have any fiduciary funds as of or for the year ended May 31, 2021.

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, 2021

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 (if any) 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, 2021

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, 2021, 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 \$989,193 at May 31, 2021.
- *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 \$223,777, at May 31, 2021.

Village of Fairport, New York

Notes to Financial Statements May 31, 2021

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, 2021 are \$1,799,971, \$171,871, and \$760,160.
- *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 \$29,929 at May 31, 2021.
- *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 \$20,059 at May 31, 2021.
- *Workers' Compensation Reserve* - Reserve to pay out workers' compensation claims. The balance at May 31, 2021 was \$211,359.

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, 2021 was \$15,739.

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, 2021.

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, 2021

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 during the year ended May 31, 2021.

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 \$287,518 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, 2021

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. The total amount applied to future customer invoices at May 31, 2021 was \$189,955.

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	\$ 50,487
Proprietary funds	<u>37,702</u>
	<u><u>\$ 88,189</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, 2021

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, 2021

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. Adoption of New Accounting Pronouncement

Effective June 1, 2020, the Village implemented the provisions of GASB Statement No. 84, *Fiduciary Activities* (GASB 84). This statement established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is generally 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.

As a result of adopting GASB 84 the Village determined that assets and offsetting liabilities of approximately \$20,000 previously recorded in the Trust and Agency Fund should now be recorded in the general fund. The Village has not identified any fiduciary activities that would be required in a custodial fund. There was no impact to the General Fund's fund balance as a result of adopting GASB 84.

t. Subsequent Events

The Village has evaluated subsequent events for potential recognition or disclosure through November 18, 2021 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.

Village of Fairport, New York

Notes to Financial Statements May 31, 2021

Note 3 - Capital Assets

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

	Balance at June 1, 2020	Additions	Disposals/ Placed In Service	Balance at May 31, 2021
<i>Depreciable assets</i>				
Buildings	\$ 3,012,897	\$ 12,790	\$ -	\$ 3,025,687
Machinery and equipment	6,253,815	296,361	(169,002)	6,381,174
Infrastructure	47,482,193	377,079	-	47,859,272
Total capital assets	56,748,905	686,230	(169,002)	57,266,133
Accumulated depreciation	(38,383,690)	(1,590,642)	156,954	(39,817,378)
Total depreciable assets	18,365,215	(904,412)	(12,048)	17,448,755
<i>Non-depreciable assets</i>				
Land	702,357	-	-	702,357
Construction-in-progress	728,509	1,359,758	(206,762)	1,881,505
Total non-depreciable assets	1,430,866	1,359,758	(206,762)	2,583,862
Total capital assets, net	<u>\$ 19,796,081</u>	<u>\$ 455,346</u>	<u>\$ (218,810)</u>	<u>\$ 20,032,617</u>

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

	Balance at June 1, 2020	Additions	Retirements/ Adjustments	Balance at May 31, 2021
<i>Depreciable assets</i>				
Buildings	\$ 5,593,338	\$ 31,835	\$ -	\$ 5,625,173
Machinery and equipment	4,478,988	89,166		4,568,154
Distribution, transmission, and other operational equipment	44,508,265	1,382,609	(253,178)	45,637,696
	54,580,591	1,503,610	(253,178)	55,831,023
Accumulated depreciation	(25,182,164)	(1,904,373)	253,178	(26,833,359)
Total depreciable assets, net	29,398,427	(400,763)	-	28,997,664
<i>Non-depreciable assets</i>				
Land	600,069	-	-	600,069
Construction in progress	205,624	250,094	(205,624)	250,094
Total non-depreciable assets	805,693	250,094	(205,624)	850,163
Total capital assets, net	<u>\$ 30,204,120</u>	<u>\$ (150,669)</u>	<u>\$ (205,624)</u>	<u>\$ 29,847,827</u>

Depreciation expense on capital assets of the proprietary fund, other than transportation and shop equipment, was \$1,868,165 for the year ended May 31, 2021, 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 \$86,150 for the year ended May 31, 2021. 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 \$49,942 for the year ended May 31, 2021.

Village of Fairport, New York

Notes to Financial Statements May 31, 2021

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	\$ 57,656	\$ -	\$ (7,169)	\$ 50,487	\$ -
Net pension liability	2,990,816	321,375	(2,860,569)	451,622	-
Other postemployment benefits	3,331,701	-	(769,831)	2,561,870	-
Bonds payable	2,010,000	875,000	(605,000)	2,280,000	315,000
Total	<u>\$ 5,427,595</u>	<u>\$ 1,196,375</u>	<u>\$ (4,242,569)</u>	<u>\$ 5,343,979</u>	<u>\$ 315,000</u>

Change in long-term liabilities - business type activities:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Bonds payable					
Principal	\$ 8,089,750	\$ -	\$ (697,500)	\$ 7,392,250	\$ 578,250
Unamortized premiums	11,548	120,000	(4,701)	126,847	-
Total bonds payable	8,101,298	120,000	(702,201)	7,519,097	578,250
Compensated absences	26,446	11,256	-	37,702	-
Net pension liability	2,718,337	228,184	(2,936,739)	9,782	-
Other postemployment benefits	1,614,341	102,176	(111,804)	1,604,713	-
Notes payable	512,058	-	(224,540)	287,518	160,483
Total	<u>\$ 12,972,480</u>	<u>\$ 461,616</u>	<u>\$ (3,975,284)</u>	<u>\$ 9,458,812</u>	<u>\$ 738,733</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, 2021 is as follows:

Description	Issue Date	Maturity Date	Interest Rate	Balance
General Fund				
2016 Public Improvement Serial Bond	5/2017	5/2027	2.000%	\$ 655,000
2011 Public Improvement Serial Bond	9/2011	5/2030	4.125% - 4.250%	65,000
2019 Public Improvement Serial Bond	6/2019	5/2034	2.650%	690,000
2021 Public Improvement Refunding Serial Bonds	2/2021	5/2030	0.771%	305,000
2021 Public Improvement Serial Bonds	5/2021	5/2031	1.221%	565,000
				<u>2,280,000</u>
Electric Fund				
2018 Public Improvement Serial Bond	5/2018	5/2046	3.000% - 3.500%	5,365,000
2011 Public Improvement Refunding Serial Bond	12/2011	11/2022	2.000% - 3.000%	412,250
2021 Public Improvement Refunding Serial Bonds	2/2021	5/2030	0.771%	1,615,000
				<u>7,392,250</u>
Total bonds payable				<u>\$ 9,672,250</u>

Village of Fairport, New York

Notes to Financial Statements May 31, 2021

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,			
2022	315,000	46,288	361,288
2023	260,000	40,223	300,223
2024	260,000	36,737	296,737
2025	265,000	32,213	297,213
2026	280,000	27,575	307,575
2027 through 2031	805,000	61,206	866,206
2032 through 2034	95,000	6,300	101,300
	<u>\$ 2,280,000</u>	<u>\$ 250,542</u>	<u>\$ 2,530,542</u>

	Business-type Activities		
	Principal	Interest	Total
For the year ending May 31,			
2022	\$ 578,250	\$ 231,034	\$ 809,284
2023	589,000	218,569	807,569
2024	375,000	208,238	583,238
2025	365,000	200,663	565,663
2026	375,000	192,975	567,975
2027 through 2031	1,760,000	761,512	2,521,512
2032 through 2036	1,300,000	498,925	1,798,925
2037 through 2041	975,000	287,700	1,262,700
2042 through 2046	1,075,000	115,325	1,190,325
	<u>\$ 7,392,250</u>	<u>\$ 2,714,941</u>	<u>\$ 10,107,191</u>

b. Notes Payable

A summary of the Village's outstanding notes payable at May 31, 2021 is as follows:

Description	Issue Date	Maturity Date	Interest Rate	Balance
Electric Fund				
NYPA Loan 2018-19	12/2018	2/2022	0.000%	67,325
NYPA Loan 2019-20	6/2019	5/2023	0.000%	220,193
				<u>\$ 287,518</u>

Village of Fairport, New York

Notes to Financial Statements May 31, 2021

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,	
2022	\$ 160,483
2023	110,097
2024	16,938
	<u>\$ 287,518</u>

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 NYSSRSSL and are dependent upon the point in time at which the employees last joined the System. The NYSSRSSL 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, 2021

Note 5 - New York State Retirement System

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, 2021

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 2021 was approximately 14.6% and 24.4% of payroll, respectively. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' year ending March 31.

Village of Fairport, New York

Notes to Financial Statements May 31, 2021

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
2021	\$ 581,830	\$ 203,996
2020	592,286	188,186
2019	603,821	174,389

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

At May 31, 2021, the Village reported a liability of \$15,142 for its proportionate share of the net pension liability of the ERS and a liability of \$446,262 for its proportionate share of the net pension liability of the PFRS. The net pension liability was measured as of March 31, 2021, and the total pension liability was determined by an actuarial valuation as of April 1, 2020. 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, 2021 measurement date, the Village's proportionate share in the ERS was .0152068% and the PFRS was .0257022%.

For the year ended May 31, 2021, the Village recognized pension expense of \$353,227 related to ERS and \$196,333 related to PFRS. At May 31, 2021, 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	\$ 164,486	\$ -
Changes of assumptions	2,081,998	18,588
Net differences between projected and actual investment earnings on pension plan investments	-	2,851,993
Changes in proportion and differences between employer contributions and proportionate share of contributions	42,161	198,384
Total	\$ 2,288,645	\$ 3,068,965

Village of Fairport, New York

Notes to Financial Statements May 31, 2021

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	\$ 119,462	\$ -
Changes of assumptions	1,798,547	33,921
Net differences between projected and actual investment earnings on pension plan investments	-	2,809,892
Changes in proportion and differences between employer contributions and proportionate share of contributions	34,197	75,437
Total	<u>\$ 1,952,206</u>	<u>\$ 2,919,250</u>

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,			
2022	\$ (186,584)	\$ (170,945)	\$ (357,529)
2023	(76,843)	(73,048)	(149,891)
2024	(161,682)	(166,160)	(327,842)
2025	(557,892)	(556,891)	(1,114,783)
2026	202,681	-	202,681
Total	<u>\$ (780,320)</u>	<u>\$ (967,044)</u>	<u>\$ (1,747,364)</u>

e. Actuarial Assumptions

The total pension liability at March 31, 2021 was determined by using an actuarial valuation as of April 1, 2020, with update procedures used to roll forward the total pension liability to March 31, 2021. Significant actuarial assumptions used in the valuation were as follows:

Actuarial Cost Method	Entry age normal
Inflation Rate	2.7 percent
Salary Scale	
ERS	4.4 percent, indexed by service
PFRS	6.2 percent, indexed by service
Investment rate of return, including inflation	5.9 percent, compounded annually, net of expenses
Cost of living adjustments	1.4 percent
Decrement	Based on FY 2015 - 2020 experience
Mortality improvement	Society of Actuaries Scale MP-2020

Village of Fairport, New York

Notes to Financial Statements May 31, 2021

Note 5 - New York State Retirement System - Continued

e. Actuarial Assumptions

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018.

Actuarial assumptions used in the April 1, 2020 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	32.00%	4.05%
International equity	15.00%	6.30%
Private equity	10.00%	6.75%
Real estate	9.00%	4.95%
Opportunistic/Absolute return strategies	3.00%	4.50%
Credit	4.00%	3.63%
Real assets	3.00%	5.95%
Fixed income	23.00%	0.00%
Cash	1.00%	0.50%
	<u>100.00%</u>	

g. Discount Rate

The discount rate used to calculate the total pension liability was 5.9%. 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.

Village of Fairport, New York

Notes to Financial Statements May 31, 2021

Note 5 - New York State Retirement System - Continued

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 5.9% and the impact of using a discount rate that is 1.0% higher or lower than the current rate:

	1% Decrease (4.90%)	Current Discount (5.90%)	1% Increase (6.90%)
Village's proportionate share of the net pension liability (asset)			
ERS	\$ 4,202,838	\$ 15,142	\$ (3,846,897)
PFRS	1,897,756	446,262	(755,201)

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, 2021 were as follows:

	(Dollars in Thousands)		
	Employees' Retirement System	Police and Fire Retirement System	Total
Employers' total pension liability	\$ 220,680,157	\$ 41,236,775	\$ 261,916,932
Plan net position	(220,580,583)	(39,500,500)	(260,081,083)
Employers' net pension liability	<u>\$ 99,574</u>	<u>\$ 1,736,275</u>	<u>\$ 1,835,849</u>
Ratio of fiduciary net position to total pension liability	<u>99.95%</u>	<u>95.79%</u>	<u>99.30%</u>

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.

Village of Fairport, New York

Notes to Financial Statements May 31, 2021

Note 6 - Other Postemployment Benefits (OPEB) - Continued

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, 2021

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	27	49
Active eligible to retire	8	4	12
Retired and surviving spouses	11	9	20
Retired spouses covered	7	6	13
Total	48	46	94

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, 2021, the Village paid approximately \$338,910 on behalf of the plan members.

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

At May 31, 2021, the Village reported a liability of \$2,561,870 in the governmental activities and \$1,604,713 in the business-type activities for its OPEB liability. The OPEB liability was measured as of May 31, 2021 by an actuarial valuation as of June 1, 2020. For the year ended May 31, 2021, the Village recognized OPEB credit to expense of \$122,474 in the governmental activities and expenses of \$33,046 in the business-type activities.

Village of Fairport, New York

Notes to Financial Statements May 31, 2021

Note 6 - Other Postemployment Benefits (OPEB) - Continued

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

At May 31, 2021, 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	\$ 27,173	\$ -
Changes of assumptions or other inputs	-	453,567
Total	<u>\$ 27,173</u>	<u>\$ 453,567</u>
	Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 84,353	\$ 59,514
Changes of assumptions or other inputs	52,676	57,061
Total	<u>\$ 137,029</u>	<u>\$ 116,575</u>

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,		
2022	\$ (327,995)	\$ 2,573
2023	(98,399)	9,411
2024	-	8,470
Total	<u>\$ (426,394)</u>	<u>\$ 20,454</u>

Village of Fairport, New York

Notes to Financial Statements May 31, 2021

Note 6 - Other Postemployment Benefits (OPEB) - Continued

e. Actuarial Methods and Assumptions

The total OPEB liability in the May 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Actuarial cost method	Entry age normal - level percent of pay																						
Measurement date	June 1, 2020																						
Discount rate	Fidelity Municipal GO AA 20-Year Bond Rate																						
Beginning of year	1.81%																						
End of year	2.50%																						
Salary scale																							
Beginning of year	3.22%																						
End of year	3.11%																						
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> <tr> <th></th><th>Police</th><th></th><th>Non-Police</th></tr> <tr> <td>Under 59</td><td>45%</td><td>55</td><td>30%</td></tr> <tr> <td>60+</td><td>100%</td><td>56-64</td><td>15%</td></tr> <tr> <td></td><td></td><td>65-69</td><td>30%</td></tr> <tr> <td></td><td></td><td>70+</td><td>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) Forecase 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 2.5%, based on the S&P 20 AA Municipal Bond Index.

Village of Fairport, New York

Notes to Financial Statements May 31, 2021

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, 2020	\$ 3,331,701	\$ 1,614,341	\$ 4,946,042
Charges for the year			
Service cost	133,764	56,540	190,304
Interest	58,957	27,876	86,833
Difference in expected and actual experience	48,075	113,440	161,515
Changes in assumptions and other inputs	(802,464)	(76,737)	(879,201)
Benefit payments	(208,163)	(130,747)	(338,910)
Net changes	(769,831)	(9,628)	(779,459)
May 31, 2021	\$ 2,561,870	\$ 1,604,713	\$ 4,166,583

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, 2021, calculated using the discount rate of 2.5%, 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:

	1.50% 1% Decrease	2.50% Discount Rate	3.50% 1% Increase
OPEB plan liability			
Proprietary activities	\$ 1,729,128	\$ 1,604,713	\$ 1,492,815
Governmental activities	2,794,011	2,561,870	2,357,421
	<u>\$ 4,523,139</u>	<u>\$ 4,166,583</u>	<u>\$ 3,850,236</u>

The following presents the OPEB liability as of May 31, 2021 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:

	1% Decrease (3.00% to 3.08%)	Healthcare Cost Trend Rate (4.00% to 4.08%)	1% Increase (5.00% to 5.08%)
OPEB plan liability			
Proprietary activities	\$ 1,498,123	\$ 1,604,713	\$ 1,726,710
Governmental activities	2,358,605	2,561,870	2,797,984
	<u>\$ 3,856,728</u>	<u>\$ 4,166,583</u>	<u>\$ 4,524,694</u>

Village of Fairport, New York

Notes to Financial Statements May 31, 2021

Note 7 - Fund Balance

Fund balance is as follows:

	General	Sewer	Capital	Nonmajor
Nonspendable				
Prepaid expenditures	\$ 122,176	\$ -	-	\$ -
Restricted for				
Insurance reserve	29,929			-
Workers' compensation reserve	211,359	-	-	-
General capital reserve	1,799,971	-	-	-
Fire rolling stock reserve	760,160	-	-	-
Fire equipment reserve	171,870	-	-	-
Asset forfeiture	20,059	-	-	-
Permanent fund	-	-	-	23,087
	<u>2,993,348</u>	<u>-</u>	<u>-</u>	<u>23,087</u>
Assigned for				
Appropriated	253,395			-
Encumbrances	26,170			
Special revenue purposes	-	338,762		117,637
	<u>279,565</u>	<u>338,762</u>	<u>-</u>	<u>117,637</u>
Unassigned	2,712,564	-	(562)	-
Total fund balance	<u>\$ 6,107,653</u>	<u>\$ 338,762</u>	<u>\$ (562)</u>	<u>\$ 140,724</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, 2021, \$497,286 was paid by the governmental activities, and \$533,000 was paid by the Electric Fund on behalf of 58 employees and 21 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, 2021:

Due From Other Funds	Due To Other Funds					Total
	General	Sewer	Capital Projects	Permanent	Electric	
General	\$ -	\$ 162,466	\$ 229,927	\$ -	\$ 47,347	439,740
Capital Projects	193,974	-	-	-	-	193,974
Electric	44,410	-	-	-	-	44,410
	<u>\$ 238,384</u>	<u>\$ 162,466</u>	<u>\$ 229,927</u>	<u>\$ -</u>	<u>\$ 47,347</u>	<u>\$ 678,124</u>
Transfer Out	Transfer In					Total
	General	Capital Projects	Sewer	Debt Service	Permanent	
General	\$ -	\$ 552,280		\$ 314,502	\$ 5,940	\$ 872,722
Sewer Fund	162,466	-	-	-	-	162,466
Capital Projects		-	-	1,923	-	1,923
	<u>\$ 162,466</u>	<u>\$ 552,280</u>	<u>\$ -</u>	<u>\$ 316,425</u>	<u>\$ 5,940</u>	<u>\$ 1,037,111</u>

Village of Fairport, New York

Notes to Financial Statements May 31, 2021

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 \$5,469,270 for the year ended May 31, 2021.

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 \$3,213,906 and \$4,358,580, 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 \$731,142 for the year ended May 31, 2021. 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 \$1,844,338 for the year ended May 31, 2021. 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.

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.

Village of Fairport, New York

Notes to Financial Statements May 31, 2021

Note 10 - Commitments - Continued

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. 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. 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.

Village of Fairport, New York

Notes to Financial Statements May 31, 2021

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 an 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, 2021

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, 2021			
	Original Budget	Modified Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real property taxes	\$ 3,116,881	\$ 3,116,881	\$ 3,123,918	\$ 7,037
Real property tax items	147,824	147,824	158,568	10,744
Non-property tax items	1,587,966	1,587,966	1,815,975	228,009
Departmental revenues	146,425	146,425	100,227	(46,198)
Intergovernmental charges	814,764	802,417	801,016	(1,401)
Use of money and property	222,751	222,751	174,169	(48,582)
Fines and forfeitures	31,500	31,500	14,973	(16,527)
Licenses and permits	37,600	37,600	28,220	(9,380)
Sale of property and compensation for loss	-	-	65,928	65,928
Miscellaneous local sources	240,535	240,535	222,581	(17,954)
Interfund revenues	116,455	116,455	109,295	(7,160)
State aid	54,000	54,000	82,620	28,620
Federal aid		70,926	181,734	110,808
Total revenues	<u>6,516,701</u>	<u>6,575,280</u>	<u>6,879,224</u>	<u>303,944</u>
EXPENDITURES				
General government support	1,035,191	1,125,267	961,903	163,364
Public safety	1,577,512	1,565,157	1,511,817	53,340
Transportation	1,268,856	1,253,924	1,131,162	122,762
Economic opportunity and assistance	17,850	23,133	23,133	-
Culture and recreation	43,534	77,473	57,671	19,802
Home and community services	393,978	488,111	419,817	68,294
Employee benefits	1,608,880	1,596,703	1,374,760	221,943
Total expenditures	<u>5,945,801</u>	<u>6,129,768</u>	<u>5,480,263</u>	<u>649,505</u>
Excess of revenues over expenditures	<u>570,900</u>	<u>445,512</u>	<u>1,398,961</u>	<u>953,449</u>
OTHER FINANCING SOURCES (USES)				
Appropriated interfund transfers in	155,193	155,193	162,466	7,273
Appropriated interfund transfer out	(354,382)	(354,382)	(872,722)	(518,340)
Budgetary provisions for other uses	(608,711)	(587,404)	-	587,404
Total other financing sources (uses)	<u>(807,900)</u>	<u>(786,593)</u>	<u>(710,256)</u>	<u>76,337</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (237,000)</u>	<u>\$ (341,081)</u>	688,705	<u>\$ 1,029,786</u>
FUND BALANCE, beginning of year			<u>5,418,948</u>	
FUND BALANCE, end of year			<u>\$ 6,107,653</u>	

See Independent Auditor's Report.

Village of Fairport, New York

Required Supplementary Information Schedule of Other Postemployment Benefits Liability

	Governmental Activities		
	May 31,		
	2021	2020	2019
Total OPEB liability - beginning	\$ 3,331,701	\$ 3,237,904	\$ 3,162,998
Charges for the year			
Service cost	133,764	141,178	137,503
Interest	58,957	117,765	115,604
Difference in expected and actual experience	48,075	(623,176)	8,007
Changes in assumptions and other inputs	(802,464)	654,262	6,655
Benefit payments	(208,163)	(196,232)	(192,863)
Net changes	(769,831)	93,797	74,906
Total OPEB liability - ending	\$ 2,561,870	\$ 3,331,701	\$ 3,237,904
Covered payroll	\$ 2,285,194	\$ 2,271,720	\$ 2,271,720
OPEB liability as a percentage of covered payroll	112.77%	146.66%	142.53%

	Business-Type Activities		
	May 31,		
	2021	2020	2019
Total OPEB liability - beginning	\$ 1,614,341	\$ 1,661,351	\$ 1,625,478
Charges for the year			
Service cost	56,540	54,215	52,974
Interest	27,876	58,453	57,465
Difference in expected and actual experience	113,440	(208,300)	56,062
Changes in assumptions and other inputs	(76,737)	184,366	3,079
Benefit payments	(130,747)	(135,744)	(133,707)
Net changes	(9,628)	(47,010)	35,873
Total OPEB liability - ending	\$ 1,604,713	\$ 1,614,341	\$ 1,661,351
Covered payroll	\$ 2,376,754	\$ 2,336,268	\$ 2,336,268
OPEB liability as a percentage of covered payroll	67.52%	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,					
	2021	2020	2019	2018	2017	2016
New York State and Local Employees' Retirement System						
Village's proportion of the net pension liability	0.0152068%	0.0158907%	0.0150366%	0.0154072%	0.0148313%	0.0148324%
Village's proportionate share of the net pension liability	\$ 15,142	\$ 4,207,952	\$ 1,065,387	\$ 497,260	\$ 1,393,583	\$ 2,380,646
Village's covered-employee payroll	4,173,516	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	0.36%	98.41%	25.43%	11.65%	31.17%	59.30%
Plan fiduciary net position as a percentage of the total pension liability	100.0%	86.4%	96.3%	98.2%	94.7%	90.7%
New York State and Local Police and Fire Retirement System						
Village's proportion of the net pension liability	0.02570220%	0.0280864%	0.0254318%	0.0248661%	0.0249858%	0.0293650%
Village's proportionate share of the net pension liability	\$ 446,262	\$ 1,501,201	\$ 426,507	\$ 251,336	\$ 517,868	\$ 869,434
Village's covered-employee payroll	911,667	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	49.0%	164.1%	48.9%	30.9%	67.4%	109.8%
Plan fiduciary net position as a percentage of the total pension liability	95.8%	84.9%	95.1%	96.9%	93.5%	90.2%

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,					
	2021	2020	2019	2018	2017	2016
New York State and Local Employees' Retirement System						
Contractually required contribution	\$ 581,830	\$ 592,286	\$ 603,821	\$ 644,879	\$ 617,750	\$ 714,150
Contributions in relation to the contractually required contribution	581,830	592,286	603,821	644,879	617,750	714,150
Contribution deficiency (excess)	-	-	-	-	-	-
Village's covered-employee payroll	4,173,516	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%	13.9%	14.4%	15.1%	13.8%	17.8%
New York State and Local Police and Fire Retirement System						
Contractually required contribution	203,996	188,186	\$ 174,389	\$ 187,748	\$ 180,984	\$ 190,584
Contributions in relation to the contractually required contribution	203,996	188,186	174,389	187,748	180,984	190,584
Contribution deficiency (excess)	-	-	-	-	-	-
Village's covered-employee payroll	911,667	914,820	871,450	813,952	768,297	791,780
Contribution as a percentage of covered-employee payroll	22.4%	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, 2021			
	Debt Service	Permanent Fund	Permanent Fund - Cemetery	Total
ASSETS				
Cash and cash equivalents	<u>\$ 1,442</u>	<u>\$ 25,048</u>	<u>\$ 119,835</u>	<u>\$ 146,325</u>
LIABILITIES				
Accounts payable and accrued expenses	<u>-</u>	<u>1,961</u>	<u>3,640</u>	<u>5,601</u>
FUND BALANCES				
Restricted		23,087	-	23,087
Assigned	<u>1,442</u>	<u>-</u>	<u>116,195</u>	<u>117,637</u>
Total fund balances	<u>1,442</u>	<u>23,087</u>	<u>116,195</u>	<u>140,724</u>
	<u>\$ 1,442</u>	<u>\$ 25,048</u>	<u>\$ 119,835</u>	<u>\$ 146,325</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, 2021			
	Debt Service	Permanent Fund	Permanent Fund - Cemetery	Total
REVENUES				
Use of money and property	\$ 1,442	\$ 22	\$ 38	1,502
Sale of property and compensation for loss			3,500	3,500
Miscellaneous local sources	-	310	2,170	2,480
Total revenues	<u>1,442</u>	<u>332</u>	<u>5,708</u>	<u>7,482</u>
EXPENDITURES				
General government support	15,424	7,060	-	22,484
Home and community services	-	-	12,995	12,995
Debt service				
Principal	265,000	-	-	265,000
Interest	51,425	-	-	51,425
Total expenditures	<u>331,849</u>	<u>7,060</u>	<u>12,995</u>	<u>351,904</u>
Deficiency of revenues over expenditures	(330,407)	(6,728)	(7,287)	(344,422)
OTHER FINANCING SOURCES (USES)				
Proceeds from refunding bond premium	45,424	-	-	45,424
Proceeds from refunding bond	310,000	-	-	310,000
Payments to escrow agent for bond refunding	(340,000)	-	-	(340,000)
Operating transfers in	316,425	5,940	-	322,365
	<u>331,849</u>	<u>5,940</u>	<u>-</u>	<u>337,789</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	1,442	(788)	(7,287)	(6,633)
FUND BALANCES, beginning of year	<u>-</u>	<u>23,875</u>	<u>123,482</u>	<u>147,357</u>
FUND BALANCES, end of year	<u>\$ 1,442</u>	<u>\$ 23,087</u>	<u>\$ 116,195</u>	<u>\$ 140,724</u>



**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, 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated November 18, 2021. 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.

Report on 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) as a basis for designing 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.

Report on 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
November 18, 2021





November 18, 2021

Mayor and Board of Trustees
Village of Fairport, New York
31 South Main Street
Fairport, New York 14450

Dear Mayor and Board Members:

We are pleased to present this report related to our audit of the basic financial statements of the Village of Fairport, New York (Village) as of and for the year ended May 31, 2021. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Village's financial reporting process.

This report is intended solely for the information and use of the Mayor, Board of Trustees, and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the Village.

Very truly yours,

BST & Co. CPAs, LLP

A handwritten signature in black ink that reads "Brendan K. Kennedy".

Brendan K. Kennedy, Partner

BKK/hmk

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REQUIRED COMMUNICATIONS

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America and the standards applicable to financial audits contains in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described to you in our arrangement letter dated July 12, 2021. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Village. The Village adopted the provisions of GASB Statement 84, *Fiduciary Activities* (GASB 84). As a result of adopting GASB 84, the Village determined that certain assets and liabilities previously reported in the Trust and Agency Fund should be reported in the General Fund. The Village has not identified any fiduciary activities as defined by GASB 84. The General Fund's fund balance was not impacted by the adoption of GASB 84.

Significant or Unusual Transactions

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.



REQUIRED COMMUNICATIONS - CONTINUED

Management's Judgments and Accounting Estimates

Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the Summary of Significant Accounting Estimates.

Audit Adjustments and Uncorrected Misstatements

There were no audit adjustments proposed by us that we considered to be errors. We did assist management with the preparation of the financial statements in accordance with U.S. GAAP. All financial statement preparation entries were based on audit documentation prepared by Village personnel.

There are no uncorrected misstatements.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

No significant issues arising from the audit were discussed with or the subject of correspondence with management.

Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management during the audit.

Significant Written Communications Between Management and Our Firm

Copies of certain written communications between our firm and the management of the Village, including the representation letter provided to us by management, are attached as Exhibit A.



SIGNIFICANT ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the Village's May 31, 2021 financial statements:

Significant Accounting Estimates	
Allowance for Uncollectible Accounts	
Accounting policy	Electric Fund receivables are reduced to their net realizable amount on a periodic basis.
Management's estimation process	Management calculates the allowance for the utility billings receivables based on historic experience and by using 100% of account balances over 120 days and 50% of account balances in the 60-120 day category.
Compensated Absences	
Accounting policy	The Village recognizes the estimated liability for unused vacation and compensated time.
Management's estimation process	Unused sick and compensated time is aggregated, any contractual caps on time accrued are considered, and current employee pay rates are applied to generate the extended liability.
Depreciation Expense	
Accounting policy	Depreciation is computed based on asset groups for the Electric Fund and using the straight-line method for governmental activities.
Management's estimation process	The estimated lives used in determining depreciation are based on recommendations of the Federal Energy Regulatory Commission and the historical experience of the Village.
Other Postemployment Benefits Liability	
Accounting policy	To recognize the Village's portion of the liability in long-term liabilities.
Management's estimation process	The estimate is developed by an actuarial firm using assumptions applied to census and plan information provided to them by the Village..

Significant Accounting Estimates

Net Pension Liability

Accounting policy

The Village recognizes its proportionate share of the New York State and Local Employees' Retirement System net pension liability, and the related deferred inflows and outflows of resources.

Management's estimation process

The Village's net pension liability is estimated by the New York State Office of the State Comptroller using census data supplied by participating employers and various actuarial assumptions, including but not limited to, rate of return, mortality, and inflation. The Village's proportionate percentage of the liability is determined on an annual basis.

We have evaluated management's significant accounting estimates noted above as part of our audit and concluded that management's estimates and the estimation process appear reasonable in the context of the financial statements taken as a whole.

EXHIBIT A

SIGNIFICANT WRITTEN COMMUNICATIONS
BETWEEN MANAGEMENT AND OUR FIRM

Representation Letter





November 18, 2021

BST & Co CPAs, LLP
26 Computer Drive West
Albany, New York 12205

This representation letter is provided in connection with your audit of the basic financial statements of the Village of Fairport, New York (Village) as of and for the year ended May 31, 2021, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of November 18, 2021:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated July 12, 2021, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions, including those with component units for which the Village is accountable, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. We have not completed the process of evaluating the effect that will result from adopting the guidance of the Governmental Accounting Standards Board (GASB) Statements as discussed in Note 12. The Village is, therefore, unable to disclose the effect that adopting the guidance of these GASB Statements will have on its financial position and the results of operations when such guidance is adopted.

9. We agree with the findings of specialists in evaluating the other postemployment benefits (OPEB) obligation and the net pension liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
10. Arrangements involving restrictions on cash, investment, and other receivable balances have been properly disclosed.
11. We believe that the actuarial assumptions and methods used to measure the Village's OPEB obligation, net pension liability and related costs for financial accounting purposes are appropriate in the circumstances.
12. We have no direct or indirect, legal, or moral, obligation for any debt of any organization, public or private, that is not disclosed in the financial statements.
13. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended, or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
14. We have no knowledge of any uncorrected misstatements in the financial statements.
15. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit;
 - c. Unrestricted access to persons within the Village from whom you determined it necessary to obtain audit evidence; and
 - d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
16. All transactions have been recorded in the accounting records and are reflected in the financial statements.
17. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
18. We have no knowledge of allegations of fraud or suspected fraud affecting the Village's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the financial statements.

19. We have no knowledge of any allegations of fraud or suspected fraud affecting the Village's financial statements received in communications from employees, former employees, analysts, regulators, or others.
20. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing the financial statements.
21. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
22. We have disclosed to you the identity of the Village's related parties and all the related-party relationships and transactions of which we are aware.
23. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Village's ability to record, process, summarize and report financial data.
24. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
25. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Required Supplementary Information

26. With respect to the budgetary comparison schedule, schedule of funding progress, schedule of proportionate share of the net pension liability, and schedule of pension contributions presented as required by the Government Accounting Standards Board to supplement the basic financial statements:
 - a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.

Compliance Considerations

27. In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:
 - a. Is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
 - b. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the Village.

- c. Has identified and disclosed to you all instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- d. Has identified and disclosed to you all instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.
- e. Has identified and disclosed to you all instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements.
- f. Is responsible for 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.
- g. Acknowledges its responsibility for the design, implementation, and maintenance of internal controls to prevent and detect fraud.
- h. Has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts and grant agreements; or abuse that you report.
- i. Has a process to track the status of audit findings and recommendations.
- j. Has identified for you previous audits, attestation engagements and other studies related to the audit objectives and whether related recommendations have been implemented.
- k. Has provided views on your reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.
- l. Acknowledges its responsibilities as they relate to non-audit services performed by you, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

Very truly yours,

VILLAGE OF FAIRPORT, NEW YORK


Julie Domaratz, Mayor


Megan Anderson, Clerk-Treasurer


Aaron Daniels, Deputy Treasurer