

**VILLAGE OF KENMORE,
NEW YORK**

*Basic Financial Statements and Required
Supplementary Information
for the Year Ended May 31, 2020
and Independent Auditors' Reports*

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Village Trustees
Village of Kenmore, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Kenmore, New York (the "Village"), as of and for the year ended May 31, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Village's 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village, as of May 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended May 31, 2020, the Village restated its net position of governmental activities as of May 31, 2019. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated January 25, 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.

Drescher & Malecki LLP

January 25, 2021

VILLAGE OF KENMORE, NEW YORK
Management's Discussion and Analysis
Year Ended May 31, 2020

As management of the Village of Kenmore, New York (the "Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended May 31, 2020. This document should be read in conjunction with the additional information that we have furnished in the Village's financial statements, which follow this narrative. For comparative purposes, certain data from the prior year has been reclassified to conform to the current year presentation.

Financial Highlights

- The assets and deferred outflows of resources of the Village's primary government exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$28,447,602 (*net position*). This consists of \$41,171,437 net investment in capital assets offset by an unrestricted net position of \$(12,723,835).
- The Village's primary government net position decreased by \$1,649,253 during the year ended May 31, 2020.
- At the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$22,200,402, a decrease of \$4,591,382 in comparison with the prior year's combined fund balance of \$26,791,784, primarily due to a decrease in the Capital Projects Fund fund balance.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$1,818,130, or approximately 14.1 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the Village's discretion and constitutes approximately 14.0 percent of the General Fund's total fund balance of \$13,027,198 at May 31, 2020.
- The Village's total bond and loan indebtedness decreased by \$1,150,000 as a result of scheduled principal payments.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Village's basic financial statements. The basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information intended to furnish additional detail to support the financial statements themselves.

Government-wide financial statements—The *government-wide financial statements* are designed to provide the reader with a broad overview of an entity's finances, similar in format to a financial statement of a private-sector business.

The *statement of net position* presents information on all of an entity's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference 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 entity is improving or deteriorating.

The *statement of activities* presents information showing how the entity'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 related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

Both of the government-wide financial statements distinguish functions of the entity 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, health, transportation, economic assistance and opportunity, culture and recreation, home and community services, and interest and other fiscal charges. The Village does not engage in any business-type activities.

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

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 two categories: governmental 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 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 funds' balance sheet and in the governmental funds' statement of revenues, expenditures, and changes in fund balances for the General Fund, the Community Development Fund, the Water Fund, the Sewer Fund, the Capital Projects Fund, and the Debt Service Fund, all of which are considered major funds.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside 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's own programs. The Village maintains one fiduciary fund, the Agency Fund.

The fiduciary fund financial statement can be found on page 18 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 19-46 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Village's net pension liabilities, the Village's total OPEB liability and related ratios, and the Village's budgetary comparisons for the General Fund, Water Fund, and Sewer Fund. Required supplementary information and related notes to the required supplementary information can be found on pages 47-57 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Village, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$28,447,602 at the close of the most recent fiscal year, as compared to \$30,096,855 at the close of the fiscal year ended May 31, 2019 (as restated).

Table 1, as shown below, presents a condensed statement of net position compared to the prior year.

Table 1—Condensed Statements of Net Position—Primary Government

	Governmental Activities	
	May 31,	
	2020	2019 (as restated)
Current assets	\$ 23,387,363	\$ 29,097,037
Capital assets	53,189,640	47,829,524
Total assets	76,577,003	76,926,561
Deferred outflows of resources	10,216,009	2,310,435
Current liabilities	1,332,904	2,472,730
Noncurrent liabilities	54,678,919	45,293,861
Total liabilities	56,011,823	47,766,591
Deferred inflows of resources	2,333,587	1,373,550
Net position:		
Net investment in capital assets	41,171,437	47,829,524
Unrestricted	(12,723,835)	(17,732,669)
Total net position	\$ 28,447,602	\$ 30,096,855

The largest positive portion of the Village's net position, \$41,171,437, reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, and infrastructure), less any related outstanding debt used to acquire those assets. The Village uses these capital assets to provide a variety of services to citizens. Accordingly, these assets are not available for future spending. Although the Village's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining net position, \$(12,723,835), is considered to be an unrestricted deficit which reflects liabilities not expected to be repaid from current resources.

Table 2, as presented below, shows the changes in net position for the years ended May 31, 2020 and May 31, 2019.

Table 2—Condensed Statements of Changes in Net Position—Primary Government

	Governmental Activities	
	Year Ended May 31,	
	2020	2019 (as restated)
Program revenues:		
Charges for services	\$ 5,138,701	\$ 5,057,501
Operating grants and contributions	232,753	283,646
Capital grants and contributions	44,448	276,680
General revenues	13,176,123	12,853,629
Total revenues	18,592,025	18,471,456
Program expenses	20,241,278	12,123,092
Change in net position	(1,649,253)	6,348,364
Net position—beginning	30,096,855	20,443,420
Restatement*	-	3,305,071
Net position—ending	\$ 28,447,602	\$ 30,096,855

*At May 31, 2019, the Village did not present government-wide financial statements. Additional information regarding this restatement can be found at Note 2 to the financial statements.

Overall revenues of the primary government increased 0.7 percent from the prior year, due primarily to increases in real property and non-property taxes. Total program expenses reported in the government wide financial statements increased 67.0 percent from the year ended May 31, 2019, which is primarily attributed to increases in allocable employee benefit expenses and government wide program expenses included in the restatement shown above.

A summary of primary government sources of revenues for the years ended May 31, 2020 and May 31, 2019 is presented in Table 3 below:

Table 3—Summary of Sources of Revenues—Primary Government

	Year Ended May 31,		Increase/(Decrease)	
	2020	2019	Dollars	Percent (%)
Charges for services	\$ 5,138,701	\$ 5,057,501	\$ 81,200	1.6
Operating grants and contributions	232,753	283,646	(50,893)	(17.9)
Capital grants and contributions	44,448	276,680	(232,232)	(83.9)
Real property taxes and tax items	9,934,803	9,695,428	239,375	2.5
Other property taxes	2,288,345	2,198,620	89,725	4.1
Use of money and property	118,470	159,134	(40,664)	(25.6)
Sale of property and compensation for loss	21,200	45,574	(24,374)	(53.5)
Miscellaneous	21,367	11,246	10,121	90.0
State aid—unrestricted	791,938	743,627	48,311	6.5
Total revenues	<u>\$ 18,592,025</u>	<u>\$ 18,471,456</u>	<u>\$ 120,569</u>	0.7

The most significant sources of revenues for the primary government for the year ended May 31, 2020 were real property taxes and tax items of \$9,934,803, or 53.4 percent of total revenues, and charges for services of \$5,138,701, or 27.6 percent of total revenues. Similarly, for the year ended May 31, 2019, the most significant sources of revenues for the primary government were real property taxes and tax items of \$9,695,428, or 52.5 percent of total revenues, and charges for services of \$5,057,501, or 27.4 percent of total revenues.

A summary of primary government program expenses for the years ended May 31, 2020 and May 31, 2019 is presented below in Table 4.

Table 4—Summary of Program Expenses—Primary Government

	Year Ended May 31,		Increase/(Decrease)	
	2020	2019	Dollars	Percent (%)
General government support	\$ 3,291,281	\$ 1,957,769	\$ 1,333,512	68.1
Public safety	7,052,880	3,646,093	3,406,787	93.4
Transportation	3,130,295	1,847,276	1,283,019	69.5
Economic assistance and opportunity	10,955	19,505	(8,550)	(43.8)
Culture and recreation	273,079	188,160	84,919	45.1
Home and community services	5,970,127	3,927,104	2,043,023	52.0
Interest and other fiscal charges	512,661	537,185	(24,524)	(4.6)
Total program expenses	<u>\$ 20,241,278</u>	<u>\$ 12,123,092</u>	<u>\$ 8,118,186</u>	67.0

As noted earlier, expenses for the year ended May 31, 2019 did not include allocable employee benefit expenses and government-wide program expenses. The most significant expense items for the primary government for the year ended May 31, 2020 were public safety of \$7,052,880, or 34.8 percent of total expenses, home and community services of \$5,970,127 or 29.5 percent of total expenses, and general government support of \$3,291,281, or 16.3 percent of total expenses. Similarly, for the year ended May 31, 2019, the most significant expense items for the primary government were home and community

services of \$3,927,104, or 32.4 percent of total expenses, public safety of \$3,646,093, or 30.1 percent of total expenses, and general government support of \$1,957,769, or 16.2 percent of total expenses.

Financial Analysis of the Village's Governmental Funds

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* and *fund balance assigned to specific use* in special revenue funds may serve as a useful measure of a government's net resources available for discretionary use, as they represent the portion of fund balance which has not been limited to use for a particular purpose by an external party, the Village itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Board of Trustees.

At May 31, 2020, the Village's governmental funds reported combined ending fund balances of \$22,200,402, a decrease of \$4,591,382 from the prior year. Approximately 8.1 percent of this amount, \$1,803,948, constitutes *unassigned fund balance*, which is available for spending at the Village's discretion. The remainder of the fund balance is either *nonspendable*, *restricted* or *assigned* to indicate that it is: 1) not in spendable form, \$152,451, 2) restricted for particular purposes, \$4,889,554, or 3) assigned for particular purposes, \$15,354,449.

The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance was \$1,818,130, while the total fund balance increased to \$13,027,198. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total General Fund expenditures and transfers out. Unassigned fund balance represents approximately 14.1 percent of total General Fund expenditures and transfers out, while total fund balance represents 101.1 percent of that same amount.

The total fund balance of the Village's General Fund increased by \$1,234,829 during the current fiscal year. During the annual budget process, the Village anticipated utilizing \$844,283 of fund balance. As a result of revenues exceeding expectations and spending less than anticipated within general government support, transportation and employee benefits, the Village's General Fund fund balance ended \$2,079,112 higher than anticipated.

The Community Development Fund maintains funds that are received from the federal government. Total revenues were \$195,159 comprised entirely of federal aid. Expenditures of \$199,606 were used towards home improvement projects.

At May 31, 2020, the Village's Water Fund reports total fund balance of \$2,660,417, an increase of \$237,190 from the prior year. This fund balance consists of \$62,792 of nonspendable fund balance, \$42,808 assigned for subsequent year's expenditures, and the remaining \$2,554,817 as assigned to specific use for operations of the Water Fund.

At May 31, 2020, the Village's Sewer Fund reports total fund balance of \$1,627,680, an increase of \$424,680 from the prior year. This fund balance consists of \$23,014 of nonspendable fund balance, \$48,618 assigned for subsequent year's expenditures, and the remaining \$1,556,048 as assigned to specific use for operations of the Sewer Fund.

The Capital Projects Fund fund balance decreased by \$6,483,634 from \$11,373,188 at May 31, 2019 to \$4,889,554 at May 31, 2020. The decrease was caused primarily by capital outlay expenditures totaling \$6,514,891, while revenues totaled \$31,257.

The Debt Service Fund maintains funds for the payment of principal and interest on the Village's long-term debt. Total debt service expenditures for the year ended May 31, 2020 were \$1,749,624, which were supported by transfers in from the General Fund, Water Fund and Sewer Fund.

General Fund Budgetary Highlights

The Village's General Fund budget generally contains budget amendments during the year. The budget is allowed to be amended upward, increased, for prior year's encumbrances since the funds were allocated under the previous year's budget, and the Village has appropriately assigned an equal amount of fund balance at year-end for this purpose. Furthermore, the budget is allowed to be amended upward for additional current year appropriations supported by an increase in budgeted revenues or appropriated fund balance. A budgetary comparison schedule within the required supplementary information section of this report has been provided to demonstrate compliance with their budget.

A summary of the General Fund results of operations for the year ended May 31, 2020 is presented below in Table 3.

Table 3—Summary of General Fund Results of Operations

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues and other financing sources	\$ 13,389,259	\$ 13,389,259	\$ 14,122,159	\$ 732,900
Expenditures and other financing uses	<u>14,233,542</u>	<u>14,233,542</u>	<u>12,887,330</u>	<u>1,346,212</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (844,283)</u>	<u>\$ (844,283)</u>	<u>\$ 1,234,829</u>	<u>\$ 2,079,112</u>

Original budget compared to final budget—As of the close of the fiscal year, the Village did not make any budgetary amendments.

Final budget compared to actual results—A review of actual revenues and expenditures compared to the estimated revenues and appropriations in the final budget yields certain variances. General Fund total expenditures and transfers out were \$1,346,212 less than the corresponding final budget appropriations while General Fund revenues were \$732,900 higher than the corresponding final budget revenues. Following are the main components of these variances:

- General government support expenditures were \$571,757 less than budgeted, primarily due to decreases in personnel services and contingency costs.
- Employee benefits expenditures were \$691,143 less than budgeted, due to decreases in required contributions for the Village's retirement systems.
- Actual nonproperty tax items revenue exceeded the final budget by \$520,526, primarily due to sales tax receipts exceeding expectations.

Capital Assets and Debt Administration

Capital assets—The Village's investment in capital assets for its governmental activities as of May 31, 2020, amounted to \$53,189,640 (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, infrastructure, land improvements, buildings and improvements, machinery and equipment.

All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the Village's capital asset policy. Similarly, intangible assets are amortized on the basis within the Village's policy.

Capital assets, net of depreciation and amortization for the governmental activities at May 31, 2020 and May 31, 2019 are presented below in Table 6.

Table 6—Summary of Capital Assets (Net of Accumulated Depreciation/Amortization)

	May 31,	
	2020	2019 (as restated)
Land	\$ 77,230	\$ 77,230
Construction in progress	6,509,559	-
Buildings and improvements	123,340	134,470
Infrastructure	44,925,317	45,841,027
Machinery and equipment	1,554,194	1,776,797
Total	<u>\$ 53,189,640</u>	<u>\$ 47,829,524</u>

Additional information on the Village's capital assets can be found in Note 5 to the financial statements.

Long-term liabilities—At May 31, 2020, the Village had total long-term liabilities of \$54,678,919, as compared to \$45,293,861 in the prior year.

A summary of the Village's long-term liabilities at May 31, 2020 and May 31, 2019 is presented below in Table 4:

Table 4—Summary of Long-Term Liabilities

	May 31,	
	2020	2019
Serial bonds	\$ 16,580,000	\$ 17,730,000
Premiums on serial bonds	779,877	845,306
Total bonds payable	17,359,877	18,575,306
Compensated absences	2,820,157	3,164,327
OPEB obligation	23,818,583	18,674,895
Net pension liability - LOSAP	2,853,542	2,644,791
Net pension liability	7,826,760	2,234,542
Total	<u>\$ 54,678,919</u>	<u>\$ 45,293,861</u>

Additional information on the Village's long-term debt can be found in Note 11 of this report.

Economic Factors and Next Year's Budget and Rates

The unemployment rate, not seasonally adjusted, for the Buffalo-Niagara region during May 2020 was 14.3 percent, as compared to New York State's unemployment rate of 14.5 percent and the national unemployment rate of 13.3 percent. These factors are considered in preparing the Village's budget.

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. The extent of the impact of COVID-19 on the Village's operational and financial performance will depend on further developments, including the duration and spread of the outbreak, impact on patients, employees and vendors all of which cannot be predicted.

The 2020-2021 General Fund adopted budget appropriations total of \$14,657,050 is an approximate increase of 3.0 percent as compared to the adopted budget appropriations total of \$14,233,643 in 2019-2020. The Village's total General Fund tax levy in 2020-2021 is \$10,082,087, which is an increase of approximately 1.9 percent as compared to \$9,894,790 levied during the 2019-2020 year.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Village Clerk/Treasurer, Village of Kenmore, 2919 Delaware Avenue, Kenmore, NY 14217.

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BASIC FINANCIAL STATEMENTS

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VILLAGE OF KENMORE, NEW YORK
Statement of Net Position
May 31, 2020

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 15,668,131
Restricted cash and cash equivalents	6,110,489
Receivables	1,078,292
Intergovernmental receivables	403,126
Prepaid items	127,325
Capital assets not being depreciated	6,586,789
Capital assets, net of accumulated depreciation	<u>46,602,851</u>
Total assets	<u>76,577,003</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources—relating to pensions	5,247,750
Deferred outflows of resources—relating to OPEB	<u>4,968,259</u>
Total deferred outflows of resources	<u>10,216,009</u>
LIABILITIES	
Accounts payable	724,828
Accrued liabilities	283,312
Intergovernmental payables	137,926
Due to retirement systems	182,838
Unearned revenue	4,000
Noncurrent liabilities:	
Due within one year	1,371,437
Due within more than one year	<u>53,307,482</u>
Total liabilities	<u>56,011,823</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources—relating to pensions	631,358
Deferred inflows of resources—relating to OPEB	<u>1,702,229</u>
Total deferred inflows of resources	<u>2,333,587</u>
NET POSITION	
Net investment in capital assets	41,171,437
Unrestricted	<u>(12,723,835)</u>
Total net position	<u>\$ 28,447,602</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF KENMORE, NEW YORK
Statement of Activities
Year Ended May 31, 2020

Function/Program	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes
					in Net Position
					Primary Governmental Activities
Primary government:					
Governmental activities:					
General government support	\$ 3,291,281	\$ 581,243	\$ -	\$ -	\$ (2,710,038)
Public safety	7,052,880	291,482	37,594	-	(6,723,804)
Transportation	3,130,295	42,940	-	44,448	(3,042,907)
Economic assistance and opportunity	10,955	-	195,159	-	184,204
Culture and recreation	273,079	3,192	-	-	(269,887)
Home and community services	5,970,127	4,219,844	-	-	(1,750,283)
Interest and other fiscal charges	512,661	-	-	-	(512,661)
Total primary government	<u>\$ 20,241,278</u>	<u>\$ 5,138,701</u>	<u>\$ 232,753</u>	<u>\$ 44,448</u>	<u>(14,825,376)</u>
General revenues:					
Real property taxes and tax items					9,934,803
Other nonproperty taxes					2,288,345
Use of money and property					118,470
Sale of property and compensation for loss					21,200
Miscellaneous					21,367
State aid—unrestricted					791,938
Total general revenues					<u>13,176,123</u>
Change in net position					(1,649,253)
Net position—beginning, as restated					<u>30,096,855</u>
Net position—ending					<u>\$ 28,447,602</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF KENMORE, NEW YORK
Balance Sheet—Governmental Funds
May 31, 2020

	General Fund	Special Revenue			Capital Projects Fund	Total Governmental Funds
		Community Development Fund	Water Fund	Sewer Fund		
ASSETS						
Cash and cash equivalents	\$ 13,364,717	\$ -	\$ 1,310,648	\$ 992,766	\$ -	\$ 15,668,131
Restricted cash and cash equivalents	4,000	189,395	-	-	5,917,094	6,110,489
Receivables	106,524	-	509,986	461,782	-	1,078,292
Intergovernmental receivables	394,133	8,993	-	-	-	403,126
Due from other funds	773,694	9,735	868,329	242,754	11,744	1,906,256
Prepaid items	41,519	-	62,792	23,014	-	127,325
Total assets	<u>\$ 14,684,587</u>	<u>\$ 208,123</u>	<u>\$ 2,751,755</u>	<u>\$ 1,720,316</u>	<u>\$ 5,928,838</u>	<u>\$ 25,293,619</u>
LIABILITIES						
Accounts payable	\$ 128,393	\$ 8,967	\$ 74,905	\$ 48,699	\$ 463,864	\$ 724,828
Accrued liabilities	121,579	-	11,808	3,982	-	137,369
Due to other funds	1,111,082	182,883	-	36,871	575,420	1,906,256
Intergovernmental payables	117,206	20,720	-	-	-	137,926
Due to retirement systems	175,129	-	4,625	3,084	-	182,838
Unearned revenue	4,000	-	-	-	-	4,000
Total liabilities	<u>1,657,389</u>	<u>212,570</u>	<u>91,338</u>	<u>92,636</u>	<u>1,039,284</u>	<u>3,093,217</u>
FUND BALANCES (DEFICIT)						
Nonspendable	56,910	9,735	62,792	23,014	-	152,451
Restricted	-	-	-	-	4,889,554	4,889,554
Assigned	11,152,158	-	2,597,625	1,604,666	-	15,354,449
Unassigned	1,818,130	(14,182)	-	-	-	1,803,948
Total fund balances (deficit)	<u>13,027,198</u>	<u>(4,447)</u>	<u>2,660,417</u>	<u>1,627,680</u>	<u>4,889,554</u>	<u>22,200,402</u>
Total liabilities and fund balances (deficit)	<u>\$ 14,684,587</u>	<u>\$ 208,123</u>	<u>\$ 2,751,755</u>	<u>\$ 1,720,316</u>	<u>\$ 5,928,838</u>	<u>\$ 25,293,619</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF KENMORE, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
May 31, 2020

Amounts reported for governmental activities in the statement of net position (page 12) are different because:

Total fund balances (deficit)—governmental funds (page 14)		\$ 22,200,402
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. The cost of the assets is \$78,789,689 and the accumulated depreciation is \$25,600,049.		53,189,640
Deferred outflows and inflows of resources related to pensions and other postemployment benefits ("OPEB") are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows related to employer contributions	\$ 182,836	
Deferred outflows related to experience, changes in assumptions and investment earnings	5,064,914	
Deferred inflows of resources related to pension plans	(631,358)	
Deferred outflows related to OPEB	4,968,259	
Deferred inflows related to OPEB	<u>(1,702,229)</u>	7,882,422
Net accrued interest expense for general obligation bonds is not recorded in the funds.		(145,943)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effects of these items are:		
Serial bonds	\$ (16,580,000)	
Premium on serial bonds	(779,877)	
Compensated absences	(2,820,157)	
OPEB obligation	(23,818,583)	
Net pension liability—LOSAP	(2,853,542)	
Net pension liability	<u>(7,826,760)</u>	<u>(54,678,919)</u>
Net position of governmental activities		<u>\$ 28,447,602</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF KENMORE, NEW YORK
Statement of Revenues, Expenditures, and Changes in
Fund Balances (Deficit)—Governmental Funds
Year Ended May 31, 2020

		Special Revenue					
	General Fund	Community Development Fund	Water Fund	Sewer Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES							
Real property taxes and other tax items	\$ 9,934,803	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,934,803
Nonproperty tax items	2,288,345	-	-	-	-	-	2,288,345
Departmental income	47,653	-	2,185,101	2,034,743	-	-	4,267,497
Intergovernmental charges	337,614	-	-	-	-	-	337,614
Interfund revenue	29,359	-	-	-	-	-	29,359
Use of money and property	63,607	-	6,105	17,501	31,257	-	118,470
Licenses and permits	177,702	-	-	-	-	-	177,702
Fines and forfeitures	326,529	-	-	-	-	-	326,529
Sale of property and compensation for loss	21,200	-	-	-	-	-	21,200
Miscellaneous	21,367	-	-	-	-	-	21,367
State aid	873,980	-	-	-	-	-	873,980
Federal aid	-	195,159	-	-	-	-	195,159
Total revenues	<u>14,122,159</u>	<u>195,159</u>	<u>2,191,206</u>	<u>2,052,244</u>	<u>31,257</u>	<u>-</u>	<u>18,592,025</u>
EXPENDITURES							
Current:							
General government support	1,841,275	-	24,000	11,000	-	-	1,876,275
Public safety	4,188,723	-	-	-	-	-	4,188,723
Transportation	1,325,101	-	-	-	-	-	1,325,101
Economic assistance and opportunity	6,571	-	-	-	-	-	6,571
Culture and recreation	162,987	-	-	-	-	-	162,987
Home and community services	1,276,190	199,606	1,126,051	979,011	-	-	3,580,858
Employee benefits	3,438,502	-	192,736	147,139	-	-	3,778,377
Debt service:							
Principal	-	-	-	-	-	1,150,000	1,150,000
Interest	-	-	-	-	-	599,624	599,624
Capital outlay	-	-	-	-	6,514,891	-	6,514,891
Total expenditures	<u>12,239,349</u>	<u>199,606</u>	<u>1,342,787</u>	<u>1,137,150</u>	<u>6,514,891</u>	<u>1,749,624</u>	<u>23,183,407</u>
Excess (deficiency) of revenues over expenditures	<u>1,882,810</u>	<u>(4,447)</u>	<u>848,419</u>	<u>915,094</u>	<u>(6,483,634)</u>	<u>(1,749,624)</u>	<u>(4,591,382)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	1,749,624	1,749,624
Transfers out	(647,981)	-	(611,229)	(490,414)	-	-	(1,749,624)
Total other financing sources (uses)	<u>(647,981)</u>	<u>-</u>	<u>(611,229)</u>	<u>(490,414)</u>	<u>-</u>	<u>1,749,624</u>	<u>-</u>
Net change in fund balances	1,234,829	(4,447)	237,190	424,680	(6,483,634)	-	(4,591,382)
Fund balances—beginning	<u>11,792,369</u>	<u>-</u>	<u>2,423,227</u>	<u>1,203,000</u>	<u>11,373,188</u>	<u>-</u>	<u>26,791,784</u>
Fund balances—ending (deficit)	<u>\$ 13,027,198</u>	<u>\$ (4,447)</u>	<u>\$ 2,660,417</u>	<u>\$ 1,627,680</u>	<u>\$ 4,889,554</u>	<u>\$ -</u>	<u>\$ 22,200,402</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF KENMORE, NEW YORK
Reconciliation of the Statement of Revenue, Expenditures, and Changes in
Fund Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities
Year Ended May 31, 2020

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net change in fund balances (deficit)—total governmental funds (page 16) \$ (4,591,382)

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays, net of loss on disposition of capital assets, exceeded depreciation expense in the current period.

Capital asset additions	\$ 6,706,312	
Depreciation expense	(1,253,614)	
Loss on disposal of capital assets	<u>(92,582)</u>	5,360,116

Net differences between pension contributions and OPEB changes recognized on the fund financial statements and the government-wide financial statements are as follows:

Village pension contributions	\$ 1,045,650	
Cost of benefits earned net of employee contributions	<u>98,918</u>	1,144,568

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 21,534

The issuance of long-term debt (e.g. serial bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred amortized into the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

Principal payments on serial bonds	\$ 1,150,000	
Amortization of bond premium	65,429	
Change in compensated absences	344,170	
Change in OPEB obligation	<u>(5,143,688)</u>	<u>(3,584,089)</u>

Change in net position of governmental activities \$ (1,649,253)

The notes to the financial statements are an integral part of this statement.

VILLAGE OF KENMORE, NEW YORK
Statement of Net Position—Agency Fund
May 31, 2020

	<u>Agency Fund</u>
ASSETS	
Restricted cash and cash equivalents	\$ 150,541
LOSAP assets	<u>1,420,883</u>
Total assets	<u>\$ 1,571,424</u>
LIABILITIES	
Agency liabilities	\$ 150,541
Amounts held for LOSAP	<u>1,420,883</u>
Total liabilities	<u>\$ 1,571,424</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF KENMORE, NEW YORK
Notes to the Financial Statements
Year Ended May 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Village. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Village reports no business-type activities or component units.

Reporting Entity

The Village was incorporated in 1899 by the State of New York as a separate political entity vested with independent taxing and debt authority. Governmental operations of the Village are subject to the provisions of the State Constitution and various statutes affecting a Village including the Village Law, General Municipal Law and the Local Finance Law. Real property assessment and tax collection procedures are determined by the Real Property Tax Law.

The government of the Village is a five member Board consisting of a Mayor and four trustees. Each are elected at large and serve a four-year term. Terms are staggered as elections are held every other year, in odd-numbered years.

The Board serves as the legislative, appropriating, governing and policy determining body of the Village. The Mayor is the chief executive officer and oversees the proper administration of all Village affairs. The Mayor appoints all non-elective offices of the Village subject to Board approval. The Village Clerk/Treasurer is appointed and serves as the chief fiscal officer.

The Village is responsible for providing most of the government services to its residents. The following basic services are provided: general government support, street and sidewalk maintenance, street lighting, snow removal, tree maintenance, recycling and refuse collection, police and fire protection, safety inspection, youth programs and water and sewer facilities.

The financial reporting entity includes all funds, functions and organizations over which the Village officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Excluded From the Reporting Entity

Although the Kenmore Housing Authority is related to the Village of Kenmore, it is not included as part of the Village's reporting entity because of the reasons noted below:

The Kenmore Housing Authority was created in 1970 by the New York State Legislature. The governing board of the Housing Authority is appointed by the Mayor of the Village. The Village government provides no financial subsidy to the Housing Authority, nor is it responsible for debt or operating deficits of the Housing Authority. The Housing Authority's debt is supported by operating revenues of the Housing Authority and is not guaranteed by the Village. The local government does not appoint management of the Housing Authority nor does it approve the Housing Authority's budget, contract or hiring of staff. The local government has no oversight responsibility for funds of the Housing Authority.

Basis of Presentation—Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments and charges between the Village's various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the Village's funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All of the Village's governmental funds are reported as major.

The Village reports the following major governmental funds:

- *General Fund*—This is the principal operating fund of the Village and accounts for all financial resources of the general government not accounted for and reported in another fund.
- *Community Development Fund*—This fund is used to account for funds received as community development block grants, pursuant to the Community Development Act.
- *Water Fund*—This fund is used to account for the operation and maintenance of water services provided by the Village.
- *Sewer Fund*—This fund is used to account for the operation and maintenance of sewer services provided by the Village.
- *Capital Projects Fund*—This fund is used to account for financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

- *Debt Service Fund*—This fund is used to account for the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term obligations of governmental funds.

Additionally, the Village reports the following fund type:

Fiduciary Funds—This fund is used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. Fiduciary funds include the *Agency Fund*. The Agency Fund is custodial in nature and does not involve measurement of results of operations. The Agency Fund accounts, such as payroll withholdings, are reported as liabilities.

During the course of operations the Village has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pensions, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, non-property taxes, charges for services provided, and state and federal aid associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period of availability. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and the amount is received during the period of availability. All other revenue items are considered to be measureable and available only when cash is received by the Village.

The Agency Fund has no measurement focus, but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash, Cash Equivalents, and Investments—The Village’s cash, cash equivalents, and investments consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. State statutes and various resolutions of the Village Board govern the Village’s investment policy. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. The Village had no investments at May 31, 2020; however, when the Village does have investments they are recorded at fair value in accordance with GASB.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents represent unspent debt proceeds, cash restricted to specific use, amounts to support fund balance restrictions, amounts related to unearned revenue and amounts held on behalf of others.

Receivables—Receivables are recorded and revenues are recognized as earned. Allowances are recorded when appropriate. No allowance for uncollectable accounts has been provided since it is believed that such an allowance would not be material.

Prepaid Items—Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements. The cost of prepaid items is recorded as an expenditure/expense when consumed rather than purchased.

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for fund financial purposes. At May 31, 2020 the Village reported \$4,000 of unearned revenues in the General Fund. The Village received overpayments of charges, but has not performed the services and therefore recognizes a liability.

Capital Assets—Capital assets, which include land, construction in progress, infrastructure, buildings and improvements, and machinery and equipment, are disclosed in the notes to the financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of an established threshold for the type of asset and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Donated capital assets are recorded at estimated acquisition value.

Land and construction in progress are not depreciated. The other capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	15-30
Buildings and improvements	40
Machinery and equipment	5-20
Infrastructure	50-75

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new police vehicle included as part of *expenditures—public safety*). At times, amounts reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings).

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At May 31, 2020, the Village has two items that qualify for reporting in this category. The first item relates to pensions and is reported on the government-wide financial statements. This represents the effect of the net change in the Village's proportion of the collective net pension liability, the difference during the measurement period between the Village's contributions, its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date. The second item relates to OPEB and is reported on the government-wide financial statements and represents the effects of the change in the Village's proportion of the collective net OPEB liability and differences during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At May 31, 2020, the Village has two items that qualify for reporting in this category. This first item relates to pensions and is reported in the government-wide statements. This item represents the effect of the net change in the Village's proportion of the collective net pension liability and the difference during the measurement periods between the Village's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item relates to OPEB and is reported on the government-wide financial statements and represents the effects of the change in the Village's proportion of the collective net OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net pension liability.

Net Position Flow Assumption—Sometimes the Village will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the

resources are considered to be applied. It is the Village's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Balance Flow Assumptions—Sometimes the Village will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Village itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Village's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the Village that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes, but do not meet the criteria to be classified as committed. The Board has by resolution authorized the Clerk/Treasurer to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenses/Expenditures

Property Taxes—The Village real property taxes are levied annually on June 1st. Taxes are collected during the period June 1st to July 1st. Penalties thereafter are imposed at a rate of 5% for July 2nd through July 31st, and 1% per month thereafter. On November 1st, all unpaid taxes are sent to Erie County to be relieved on the County tax bill. The County assumes enforcement responsibility for all uncollected taxes. The Village will receive the full amount of such taxes within the year of levy.

Compensated Absences—Most Village employees are granted sick leave and earn compensatory time in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated sick leave and unused earned compensatory time at various rates subject to certain maximum limitations.

Payment of sick leave and compensatory time is dependent upon many factors; therefore, timing of future payment is not readily determinable. However, management believes that sufficient resources will be made available for the future payment of compensated absences when such payments become due.

Pensions—The Village is mandated by New York State law to participate in the New York State and Local Employees’ Retirement System (“ERS”) and the New York State Police and Fire Retirement System (“PFRS”). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 7.

Service Awards—The Village has adopted a Length of Service Award Program for firefighters that serve on a volunteer basis. The program is administered by an outside agency, with the Village as trustee. More information is included in Note 8.

Other Postemployment Benefits—In addition to providing pension benefits, the Village provides health insurance coverage for certain retired employees, as discussed in Note 9.

Other

Estimates—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended May 31, 2020, the Village implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The implementation of GASB Statement No. 95 did not have a material impact on the Village’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—The Village has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 83, *Certain Asset Retirement Obligations*; No. 84, *Fiduciary Activities*; No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*; No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, and No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84*, and a Supersession of GASB Statement No. 32, effective for the year ending May 31, 2021, No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, and No. 93, *Replacement of Interbank Offered Rates*, effective for the year ending May 31, 2022, No. 87, *Leases*; No. 91, *Conduit Debt Obligations*; No. 92, *Omnibus 2020*, effective for the year ending May 31, 2023, and No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; and No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending May 31, 2024. The Village is, therefore, unable to disclose the impact that adopting GASB Statements No. 83, 84, 87, 88, 89, 90, 91, 92, 93, 94, 96 and 97 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

Legal Compliance—Budgets—The Village’s annual procedures in establishing the budgetary data reflected in the basic financial statements are described as follows:

- The budget officer, the Mayor, submits a tentative budget to the Village Clerk/Treasurer for the fiscal year commencing the following June 1st no later than March 20th. The operating budget includes proposed expenditures and the means of financing them.
- After public hearings are conducted to obtain taxpayer comments, no later than April 15th, the governing board adopts the budget.
- The Village Clerk/Treasurer may authorize transfers of budget amounts within a fund. However, any revisions that increase the total budget expenditures for any fund must be approved by the Village Board.
- Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. All unencumbered budget appropriations lapse at the end of each fiscal year.

2. RESTATEMENT OF NET POSITION

During the fiscal year ended May 31, 2020, the Village elected to present government-wide financial statements in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Village was able to determine the appropriate balances to restate net position for governmental activities at May 31, 2019 as presented below:

	Primary Government Governmental Activities
Fund balance—governmental funds—May 31, 2019	26,791,784
Capital assets	47,829,524
Deferred outflows—relating to pensions	1,637,377
Deferred outflows—relating to OPEB	673,058
Serial bonds	(17,730,000)
Premium on serial bonds	(845,306)
Accrued interest	(167,477)
Compensated absences	(3,164,327)
OPEB obligation	(18,674,895)
Net pension liability—LOSAP	(2,644,791)
Net pension liability	(2,234,542)
Deferred inflows—relating to pensions	(1,181,660)
Deferred inflows—relating to OPEB	(191,890)
Net position—May 31, 2019, as restated	<u>\$ 30,096,855</u>

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3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Village's investment policies are governed by State statutes. Village monies must be deposited in Federal Deposit Insurance Corporation ("FDIC") insured commercial banks or trust companies located within the State. The Clerk/Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposits, time deposits and certificates of deposit at 100% of all deposits not covered by FDIC. The Village has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York.

Cash and cash equivalents at May 31, 2020 are shown below:

	Governmental Funds	Fiduciary Fund	Total
Petty cash (uncollateralized)	\$ 575	\$ -	\$ 575
Deposits	21,778,045	150,541	21,928,586
Total	<u>\$ 21,778,620</u>	<u>\$ 150,541</u>	<u>\$ 21,929,161</u>

Deposits—All deposits are carried at fair value, and are classified by custodial credit risk at May 31, 2020 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 500,000	\$ 500,000
Uninsured:		
Collateral held by pledging bank's agent in the Village's name	22,125,363	21,428,586
Total	<u>\$ 22,625,363</u>	<u>\$ 21,928,586</u>

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. At May 31, 2020, the Village's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the Village's name.

Restricted Cash and Cash Equivalents—The Village reports unspent debt proceeds, amounts related to unearned revenue, amounts restricted for community development, and amounts held on behalf of others as restricted cash and cash equivalents. At May 31, 2020, the Village reported \$6,110,489 and \$150,541 of restricted cash within its governmental funds and fiduciary fund, respectively.

Investments—The Village had no investments at May 31, 2020.

Interest Rate Risk—In accordance with its investment policy, the Village manages exposures by limiting investments to low risk type investments governed by New York State statutes.

4. RECEIVABLES

Major revenues accrued by the Village at May 31, 2020 consisted of the following:

Receivables—Represents amounts due from various sources. Receivables at May 31, 2020 are shown below:

General Fund:			
Contractual services	\$	82,817	
Court fees		11,855	
CHIPS		4,148	
Miscellaneous		<u>7,704</u>	\$ 106,524
Water Fund:			
Water rents receivable			509,986
Sewer Fund:			
Sewer rents receivable			<u>461,782</u>
Total governmental funds			<u>\$ 1,078,292</u>

Water Rents Receivable—Represents outstanding billings for water services that have been provided to Village residents. Water rents receivable at May 31, 2020 were \$509,986 within the Water Fund. The Village believes an allowance for doubtful accounts is not necessary.

Sewer Rents Receivable—Represents outstanding billings for sewer services that have been provided to Village residents. Sewer rents receivable at May 31, 2020 were \$461,782 within the Sewer Fund. The Village believes an allowance for doubtful accounts is not necessary.

Intergovernmental Receivables—Represents amounts due from other units of government, such as Federal, New York State, Erie County or other local governments. Intergovernmental receivables at May 31, 2020 are presented below:

General Fund:			
Sales tax receivable	\$	347,869	
Due from Erie County		45,491	
Other		<u>773</u>	\$ 394,133
Community Development Fund:			
Due from federal			<u>8,993</u>
Total governmental funds			<u>\$ 403,126</u>

5. CAPITAL ASSETS

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

	Balance 6/1/2019 (as restated)	Additions	Deletions	Balance 5/31/2020
Capital assets, not being depreciated:				
Land	\$ 77,230	\$ -	\$ -	\$ 77,230
Construction in progress	<u>-</u>	<u>6,509,559</u>	<u>-</u>	<u>6,509,559</u>
Total capital assets, not being depreciated	<u>77,230</u>	<u>6,509,559</u>	<u>-</u>	<u>6,586,789</u>
Capital assets, being depreciated:				
Infrastructure	\$ 63,625,184	\$ -	\$ -	\$ 63,625,184
Land improvements	75,569	-	-	75,569
Buildings and improvements	1,097,894	-	-	1,097,894
Machinery and equipment	<u>7,383,188</u>	<u>196,753</u>	<u>175,688</u>	<u>7,404,253</u>
Total capital assets, being depreciated	<u>72,181,835</u>	<u>196,753</u>	<u>175,688</u>	<u>72,202,900</u>
Less accumulated depreciation for:				
Infrastructure	\$ 17,784,157	\$ 915,710	\$ -	18,699,867
Land improvements	75,569	-	-	75,569
Buildings and improvements	963,424	11,130	-	974,554
Machinery and equipment	<u>5,606,391</u>	<u>326,774</u>	<u>83,106</u>	<u>5,850,059</u>
Total accumulated depreciation	<u>24,429,541</u>	<u>1,253,614</u>	<u>83,106</u>	<u>25,600,049</u>
Total capital assets, being depreciated, net	<u>47,752,294</u>	<u>(1,056,861)</u>	<u>92,582</u>	<u>46,602,851</u>
Total capital assets, net	<u>\$ 47,829,524</u>	<u>\$ 5,452,698</u>	<u>\$ 92,582</u>	<u>\$ 53,189,640</u>

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

Governmental activities:	
General government support	\$ 267,262
Public safety	69,300
Transportation	915,710
Culture and recreation	<u>1,342</u>
Total governmental activities	<u>\$ 1,253,614</u>

6. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at May 31, 2020, were as follows:

	General Fund	Water Fund	Sewer Fund	Total Governmental Funds
Salaries and employee benefits	<u>\$ 121,579</u>	<u>\$ 11,808</u>	<u>\$ 3,982</u>	<u>\$ 137,369</u>

7. PENSION PLANS

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

The Systems are noncontributory, except for employees who joined after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the System’s fiscal year ending March 31.

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At May 31, 2020, the Village reported liabilities as shown on the following page for its proportionate share of the net pension liabilities for the Systems. The net pension liabilities were measured as of March 31, 2020. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2019, with update procedures used to roll forward the total pension liabilities to the measurement date. The Village’s proportion of the net pension liabilities was based on a projection of the Village’s long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the Systems in reports provided to the Village as shown on the following page.

	PFRS	ERS
Measurement date	March 31, 2020	March 31, 2020
Net pension liability	\$ 4,218,819	\$ 3,607,941
Village's portion of the Plan's total		
Net pension liability	0.0789311%	0.0136249%

For the year ended May 31, 2020, the Village recognized pension expenses of \$1,462,663 and \$1,164,291, respectively, for PFRS and ERS. At May 31, 2020, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from various sources as presented below:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	PFRS	ERS	PFRS	ERS
Differences between expected and actual experiences	\$ 280,929	\$ 212,342	\$ 70,665	\$ -
Changes of assumptions	360,607	72,647	-	62,729
Net difference between projected and actual earnings on pension plan investments	1,899,867	1,849,606	-	-
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	42,936	27,060	176,135	144,546
Village contributions subsequent to the measurement date	105,747	77,089	-	-
Total	<u>\$ 2,690,086</u>	<u>\$ 2,238,744</u>	<u>\$ 246,800</u>	<u>\$ 207,275</u>

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

Year Ending May 31,	PFRS	ERS
2021	\$ 494,132	\$ 298,553
2022	544,043	486,066
2023	694,240	646,726
2024	585,725	523,035
2025	19,399	-

Actuarial Assumptions—The total pension liabilities as of the measurement date were determined by using actuarial valuations as noted in the table on the following page, with update procedures used to roll forward the total pension liabilities to the measurement date. The actuarial valuations used the actuarial assumptions as shown on the following page.

	PFRS	ERS
Measurement date	March 31, 2020	March 31, 2020
Actuarial valuation date	April 1, 2019	April 1, 2019
Interest rate	6.80%	6.80%
Salary scale	5.00%	4.20%
Decrement tables	April 1, 2010- March 31, 2015	April 1, 2010- March 31, 2015
Inflation rate	2.5%	2.5%
Cost-of-living adjustment	1.3%	1.3%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2015. The actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

	PFRS and ERS	
	Target Allocation	Long-Term Expected Real Rate of Return
	PFRS and ERS	
	March 31, 2020	
Measurement date		
Asset class:		
Domestic equities	36.0 %	4.1 %
International equities	14.0	6.1
Private equity	10.0	6.8
Real estate	10.0	5.0
Absolute return strategies	2.0	3.3
Opportunistic portfolio	3.0	4.7
Real assets	3.0	6.0
Bonds and mortgages	17.0	1.0
Cash	1.0	0.0
Inflation-indexed bonds	4.0	1.0
Total	100.0 %	

Discount Rate—The discount rate used to calculate the total pension liabilities was 6.8%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below presents the Village’s proportionate share of the net pension liabilities/(assets) calculated using the discount rate of 6.8%, as well as what the Village’s proportionate share of the net pension liabilities/(assets) would be if they were calculated using a discount rate that is one percentage-point lower (5.8%) or one percentage-point higher (7.8%) than the current assumption.

	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
Employer's proportionate share of the net pension liability—PFRS	\$ 7,543,335	\$ 4,218,819	\$ 1,241,640
Employer's proportionate share of the net pension liability—ERS	\$ 6,621,591	\$ 3,607,941	\$ 832,357

Pension Plan Fiduciary Net Position—The components of the current-year net pension liabilities of the employers as of the valuation dates, were as follows:

	(Dollars in Thousands)		
	PFRS	ERS	Total
Valuation date	April 1, 2019	April 1, 2019	
Employers' total pension liability	\$ 35,309,017	\$ 194,596,261	\$ 229,905,278
Plan fiduciary net position	29,964,080	168,115,682	198,079,762
Employers' net pension liability	<u>\$ 5,344,937</u>	<u>\$ 26,480,579</u>	<u>\$ 31,825,516</u>
System fiduciary net position as a percentage of total pension liability	84.9%	86.4%	86.2%

Payables to the Pension Plan—For ERS and PFRS, employer contributions are paid annually based on the System’s fiscal year which ends on March 31st. Accrued retirement contributions as of May 31, 2020 represent the projected employer contribution for the period of April 1, 2020 through May 31, 2020 based on paid ERS and PFRS wages multiplied by the employer’s contribution rate, by tier. Accrued retirement contributions as of May 31, 2020 amounted to \$77,090 and \$105,748, for ERS and PFRS, respectively.

8. PENSION OBLIGATIONS—LOSAP

Plan Description—The Village established a defined benefit Service Award Program (referred to as a “LOSAP” – length of service award program – under Section 457(e)(11) of the Internal Revenue Code), effective January 1, 1994, for the active volunteer firefighter members of the Kenmore Volunteer Fire Department, Inc. The program was established pursuant to Article 11-A of New York State General Municipal Law. The program provides municipally-funded deferred compensation to volunteer firefighters to facilitate the recruitment and retention of active volunteer firefighters. The Village is the sponsor of the program and the program administrator. Certain information contained in this note is based on information for the Length of Service Award Program (“LOSAP”) as of December 31, 2019, which is the most recent valuation date for which complete information is available.

Participation, Vesting and Service Credit—A participant’s service award benefit is paid as a ten year certain and continuous monthly payment life annuity. The amount payable each month equals \$20 multiplied by the total number of years of service credit earned by the volunteer under the point system. The maximum number of years of service credit a participant may earn is 25 years under the program. Currently, there are no other forms of payment of a volunteer’s earned service award under the program. Except in the case of death or total and permanent disablement, service awards commence to be paid as of the next January 1st following the date a participant attains the entitlement age. Volunteers who continue to be active after attaining the entitlement age and beginning to be paid a service award continue to have the opportunity to earn program credit and to thereby increase their service award payments. The program provides death and disability benefits equal to the actuarial value of the participant’s earned service award at the time of death or disablement. The program does not provide extra line-of-duty death or disability benefits. All death and disability benefits are “self-insured” and are paid from the program trust fund.

Fiduciary Investment and Control—After the end of each calendar year, the fire department prepares and certifies a list of names of all persons who were active volunteer members of the fire department during the year indicating which volunteers earned fifty points. The certified list is delivered to the Board of Trustees for their review and approval. The fire department must maintain the point system records to verify each volunteer’s points on forms provided and/or approved by the Board of Trustees.

Program assets are required to be held in trust by LOSAP legislation, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program. Authority to invest program assets is vested in the Investment Committee. Subject to restrictions in the program document, program assets are invested in accordance with a statutory “prudent person” rule.

Authority to invest program assets is vested in the Village’s Board of Trustees, subject to restrictions in the program document, program assets are invested in accordance with a statutory “prudent person” standard and the Investment Policy Statement for the LOSAP as approved by the Board of Trustees.

The sponsor is required to retain an actuary to determine the amount of the sponsor’s contributions to the plan. The actuary retained by the sponsor for this purpose is Penflex, Inc. Portions of the following information are derived from the most recent report prepared by the actuary with a valuation date of December 31, 2019.

Participants Covered by the Benefit Terms—At the December 31, 2019 measurement date, the following participants were covered by the benefit terms:

Inactive participants currently receiving benefit payments	23
Inactive participants entitled to but not yet receiving benefit payments	42
Active participants	<u>35</u>
Total	<u><u>100</u></u>

Contributions—New York State General Municipal Law §219(d) requires the Village to contribute an actuarially determined contribution on an annual basis. The actuarially determined contribution shall be appropriated annually by the Village.

Trust Assets—Although assets have been accumulated in an irrevocable trust such that the assets are dedicated to providing pensions to plan members in accordance with benefit terms, the trust assets are not legally protected from creditors of the Village. As such, the trust assets do not meet the criteria in paragraph 4 of GASB Statement No. 73.

Measurement of Total Pension Liability—The total pension liability at the December 31, 2019 measurement date was determined using an actuarial valuation as of that date.

Actuarial Assumptions—The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Salary Scale:	None assumed

Mortality rates were based on the RP-2014 Male Mortality Table without projection for mortality improvement.

Discount Rate—The discount rate used to measure the total pension liability was 3.26%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019. In describing this index, S&P Dow Jones Indices notes that the index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years and with a rating of at least Aa2 by Moody's Investors Service's, AA by Fitch, or AA by Standard & Poor's Rating Services.

Changes in the Total Pension Liability—The table below presents the changes to the total pension liability during the fiscal year, by source:

	<u>Total Pension Liability</u>
Balance as of December 31, 2018 measurement date	\$ 2,644,791
Changes for the year:	
Service cost	23,433
Interest	95,555
Changes of assumptions or other inputs	155,581
Differences between expected and actual experience	20,342
Benefit payments	(86,160)
Net changes	<u>208,751</u>
Balance as of December 31, 2019 measurement date	<u>\$ 2,853,542</u>

Sensitivity of the Total Pension Liability to Changes in the Discount Rate—The table on the following page presents the total pension liability of the Village as of the December 31, 2019 measurement date, calculated using the discount rate of 3.26%, as well as what the Village's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.26%) or one percentage point higher (4.26%) than the current rate.

	1% Decrease (2.26%)	Current Discount Rate (3.26%)	1% Increase (4.26%)
Net pension liability	\$ 3,331,908	\$ 2,853,542	\$ 2,469,975

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

For the year ended May 31, 2020, the Village recognized pension expense of \$160,870. At May 31, 2020, the Village had deferred outflows and deferred inflows of resources related to pensions as shown below:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,696	\$ 39,060
Changes of assumptions or other inputs	253,276	138,223
Benefit payments and administrative expenses subsequent to the measurement date	35,948	-
Total	<u>\$ 318,920</u>	<u>\$ 177,283</u>

\$35,948 reported as deferred outflows of resources related to pensions resulting from Village transactions subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ending May 31, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending May 31,	
2021	\$ 34,223
2022	34,223
2023	34,223
2024	15,389
2025	(12,369)

The Village accounts for its service award program assets within its Agency Fund. As of May 31, 2020, program asset information was available which totaled \$1,420,883.

9. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

Plan Description—In addition to pension benefits, the Village pays for a portion of eligible retirees’ health insurance, depending on the type of health plan provided. Eligibility for postemployment benefits is based on age, years of service, accumulated sick leave and depends upon associated group or union. The estimated cost of such benefits totaled \$586,365 for the year ended May 31, 2020.

Employees Covered by Benefit Terms—At May 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	75
Active employees	<u>84</u>
Total	<u><u>159</u></u>

Under GASB Statement No. 75, the total OPEB liability represents the sum of expected future benefit payments which may be attributed to past service (or “earned”), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability (“AAL”) under GASB Statement No. 45.

Total OPEB Liability

The Village’s total OPEB liability of \$23,818,583 was measured as of May 31, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Methods and Assumptions—Calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of the valuation and on the pattern of cost sharing between the employee and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the May 31, 2020 actuarial valuation, the entry age normal method, over a level percent of pay was used. The single discount rate changed from 3.70% to 1.81% effective May 31, 2020. The salary scale changed from 3.36% to 3.22% effective May 31, 2020. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 5.20%, while the ultimate healthcare cost trend rate is 4.18%.

The actuarial assumptions used in the May 31, 2020 valuation were based on the results of an actuarial experience study for the period June 1, 2019 thru May 31, 2020.

Changes in the Total OPEB Liability—The following table presents the changes to the total OPEB liability during the fiscal year, by source:

	Total OPEB Liability
Balance at May 31, 2019:	<u>\$ 18,674,895</u>
Changes for the year:	
Service cost	256,290
Interest	678,758
Changes of assumptions or other inputs	7,421,348
Differences between expected and actual experience	(2,626,343)
Benefit payments	<u>(586,365)</u>
Net changes	<u>5,143,688</u>
Balance at May 31, 2020:	<u><u>\$ 23,818,583</u></u>

Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate—The discount rate assumption can have an impact on the net OPEB liability. The following table presents the effect a 1% change in the discount rate assumption would have on the net OPEB liability:

	1% Decrease (0.81%)	Current Discount Rate (1.81%)	1% Increase (2.81%)
Net OPEB liability	\$ 29,329,856	\$ 23,818,583	\$ 19,702,023

Additionally, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the net OPEB liability of a 1% change in the initial (5.20%) and ultimate (4.18%) healthcare cost trend rates:

	Healthcare Cost		
	1% Decrease (4.20% to 3.18%)	Trend Rate (5.20% to 4.18%)	1% Increase (6.20% to 5.18%)
Net OPEB liability	\$ 19,540,097	\$ 23,818,583	\$ 29,551,436

Funding Policy—Authorization for the Village to pay a portion of retiree health insurance premiums was enacted through various contracts, which were ratified by the Village Board. Upon retirement, the Village generally pays a portion of the cost of the employee's current coverage at the time of retirement for a period of time as outlined in the various contracts. The Village recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. The Village's estimated contributions for the fiscal year ended May 31, 2020 were \$586,365.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The Village reports deferred outflows of resources and deferred inflows of resources due to differences during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability are required to be determined. The following table presents the Village's deferred outflows and inflows of resources at May 31, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 147,762	\$ 1,653,623
Changes of assumptions	4,672,701	48,606
Contributions subsequent to the measurement date	147,796	-
Total	<u>\$4,968,259</u>	<u>\$1,702,229</u>

The Village reports \$147,796 as deferred outflows related to OPEB resulting from Village transactions subsequent to the measurement date and will be recognized as a reduction of the total OPEB liability in the year ending May 31, 2021.

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

	Year ending May 31,
2021	\$ 1,875,083
2022	1,243,151

10. RISK MANAGEMENT

The Village is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets, vehicle liability, injuries to employees, health insurance, unemployment insurance, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Village purchases insurance for: general liability, commercial auto liability, employee benefits liability, law enforcement liability, public officials and employment practices liability, cyber liability and crime liability. The general liability and employee benefits liability insurance are limited to \$1 million per occurrence and a \$3 million dollar aggregate, law enforcement liability and public officials and employment practices liability insurance are limited to \$1 million per occurrence and a \$2 million dollar aggregate, the commercial auto liability is limited to \$1 million per occurrence, the cyber liability coverage is limited to \$1 million and the crime liability insurance is limited to a range of \$100,000-\$500,000 per occurrence. The Village also carries an umbrella policy with a \$10 million coverage limit per occurrence. There have not been any significant changes in any type of insurance coverage from the prior year, nor have there been any settlements which have exceeded insurance coverage in the past three fiscal years.

11. LONG-TERM LIABILITIES

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

The Village's outstanding long-term liabilities include bonds payable, compensated absences, other postemployment benefits ("OPEB") obligation and net pension liabilities. The serial bonds of the Village are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the Village's long-term debt for the year ended May 31, 2020 is shown below:

	Balance 6/1/2019	Additions	Reductions	Balance 5/31/2020	Due Within One Year
Serial bonds	\$ 17,730,000	\$ -	\$ 1,150,000	\$ 16,580,000	\$ 1,165,000
Premium on serial bonds	845,306	-	65,429	779,877	65,429
Total bonds payable	18,575,306	-	1,215,429	17,359,877	1,230,429
Compensated absences	3,164,327	268,442	612,612	2,820,157	141,008
OPEB obligation	18,674,895	8,356,396	3,212,708	23,818,583	-
Net pension liability - LOSAP	2,644,791	294,911	86,160	2,853,542	-
Net pension liability*	2,234,542	5,592,218	-	7,826,760	-
Total	<u>\$ 45,293,861</u>	<u>\$ 14,511,967</u>	<u>\$ 5,126,909</u>	<u>\$ 54,678,919</u>	<u>\$ 1,371,437</u>

*Additions to the net pension liability are shown net of reductions.

Serial Bonds—The Village issues general obligation bonds to provide funds for building construction, renovations, technology improvements, and capital equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 10 to 25 years. Principal is paid annually, interest is paid semi-annually and are recorded in the Debt Service Fund.

A summary of additions and payments for the year ended May 31, 2020 is presented below:

	Interest Rate (%)	Year of Issue/ Maturity	Balance 6/1/2019	Additions	Payments	Balance 5/31/2020
General Fund:						
Fire apparatus and workers' compensation settlement	2.38	2014/2024	\$ 205,000	\$ -	\$ 40,000	\$ 165,000
Various purposes	2.68	2016/2041	737,400	-	80,000	657,400
Various purposes	2.00-5.00	2017/2041	1,356,000	-	145,000	1,211,000
Various purposes refunding	2.00-4.00	2017/2024	1,398,878	-	204,847	1,194,031
Various purposes	2.25-5.00	2019/2038	547,000	-	31,000	516,000
Water Fund:						
Various purposes	2.68	2016/2041	3,687,600	-	140,000	3,547,600
Various purposes	2.00-5.00	2017/2041	3,105,000	-	120,000	2,985,000
Various purposes refunding	2.00-4.00	2017/2024	152,090	-	36,071	116,019
Various purposes	2.25-5.00	2019/2038	1,123,190	-	43,190	1,080,000
Sewer Fund:						
Various purposes	2.68	2016/2041	150,000	-	95,000	55,000
Various purposes	2.00-5.00	2017/2041	4,674,000	-	170,000	4,504,000
Various purposes refunding	2.00-4.00	2017/2024	214,032	-	29,082	184,950
Various purposes	2.25-5.00	2019/2038	379,810	-	15,810	364,000
			<u>\$ 17,730,000</u>	<u>\$ -</u>	<u>\$ 1,150,000</u>	<u>\$ 16,580,000</u>

Premium on Serial Bonds—As noted earlier, the Village issued serial bonds and refunding serial bonds which received bond premiums. The premiums are being amortized on a straight-line basis over the life of the bonds. The unamortized premiums as of May 31, 2020 were \$779,877.

Compensated Absences—As described in Note 1, the Village records the value of compensated absences. The annual budgets of the operating funds provide funding for these benefits as they become payable. The liability for compensated absences at May 31, 2020 amounts to \$2,820,157, of which \$141,008 is considered due within one year. Since payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable.

OPEB Obligation—As explained in Note 8, the Village provides health insurance coverage for certain retirees. The Village's annual OPEB cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB. The long-term OPEB liability is estimated to be \$23,818,583 at May 31, 2020.

Net Pension Liabilities—The Village reported liabilities for its proportionate share of the net pension liability for the Police and Fire Retirement System and Employees’ Retirement System, and LOSAP. As of May 31, 2020 the net pension liability related to the Police and Fire and Employees’ Retirement System is estimated to be \$7,826,760 and the net pension liability related to LOSAP is estimated to be \$2,853,542. Refer to Notes 7 and 8 for additional information related to the Village’s net pension liabilities.

The following is a maturity schedule of the Village’s long-term indebtedness:

Year ending May 31,	Serial Bonds	Premium on Serial Bonds	Compensated Absences	OPEB Obligation	Net Pension Liability	Net Pension Liability - LOSAP	Total
2021	\$ 1,165,000	\$ 65,429	\$ 141,008	\$ -	\$ -	\$ -	\$ 1,371,437
2022	1,095,000	65,429	-	-	-	-	1,160,429
2023	1,105,000	65,429	-	-	-	-	1,170,429
2024	1,135,000	65,429	-	-	-	-	1,200,429
2025	1,065,000	56,204	-	-	-	-	1,121,204
2026-2030	3,565,000	142,650	-	-	-	-	3,707,650
2031-2035	3,325,000	142,650	-	-	-	-	3,467,650
2036-2040	3,210,000	142,362	-	-	-	-	3,352,362
2041-thereafter	915,000	34,295	2,679,149	23,818,583	7,826,760	2,853,542	38,127,329
Total	<u>\$ 16,580,000</u>	<u>\$ 779,877</u>	<u>\$ 2,820,157</u>	<u>\$ 23,818,583</u>	<u>\$ 7,826,760</u>	<u>\$ 2,853,542</u>	<u>\$ 54,678,919</u>

Interest requirements on serial bonds are as follows:

Year ending May 31,	Interest
2021	\$ 523,185
2022	479,960
2023	438,355
2024	394,595
2025	348,553
2026-2030	1,347,716
2031-2035	886,029
2036-2040	391,041
Thereafter	24,488
	<u>\$ 4,833,922</u>

12. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- **Net Investment in Capital Assets**—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. A reconciliation of the Village’s governmental activities net investment in capital assets is presented on the following page.

Capital assets, net of accumulated depreciation	\$ 53,189,640
Less:	
Serial bonds	(16,580,000)
Unamortized bond premium	(779,877)
Unspent bond proceeds	<u>5,341,674</u>
Net investment in capital assets	<u>\$ 41,171,437</u>

- **Unrestricted Net Position**—This category represents net position of the Village not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the Village at May 31, 2020 includes:

- **Long-term Receivable**—Represents long-term receivables within the General Fund and Community Development Fund from the Sewer Fund for operating losses incurred in the funds since their inception.
- **Prepaid Items**—Represents amounts prepaid to vendors and employees that are applicable to future accounting periods. The Village reported \$41,519, \$62,792 and \$23,014 within the General Fund, Water Fund and Sewer Fund, respectively, at May 31, 2020.

In the fund financial statements, restricted fund balances have constraints placed on the use of resources and are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. As of May 31, 2020, the Village reports \$4,889,554 of restricted fund balance within the Capital Projects Fund which is restricted for capital purposes.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the Village's highest level of decision-making authority. As of May 31, 2020, the Village has no committed fund balance.

In the fund financial statements, assigned amounts are subject to a purpose constraint that represents an intended use established by the Village Board, or by their designated body or official. As of May 31, 2020, the fund balances shown below were considered to be assigned.

	General Fund	Water Fund	Sewer Fund	Total
Subsequent year's expenditures	\$ 1,091,213	\$ 42,808	\$ 48,618	\$ 1,182,639
Capital projects	7,616,944	-	-	7,616,944
Pollution remediation	1,444,001	-	-	1,444,001
Tax stabilization	500,000	-	-	500,000
Retirement payments	500,000	-	-	500,000
Specific use	-	2,554,817	1,556,048	4,110,865
Total	<u>\$ 11,152,158</u>	<u>\$ 2,597,625</u>	<u>\$ 1,604,666</u>	<u>\$ 15,354,449</u>

- ***Assigned to Subsequent Year's Expenditures***—Represents available fund balance being appropriated to meet expenditure requirements in the 2020-21 fiscal year.
- ***Assigned to Capital Projects***—Represents available fund balance to be used for future capital projects expenditures.
- ***Assigned to Pollution Remediation***—Represents available fund balance for future potential liabilities related to pollution remediation.
- ***Assigned to Tax Stabilization***—Represents available fund balance for unanticipated revenue losses or unanticipated expenditures incurred.
- ***Assigned to Retirement Payments***—Represents available fund balance for the future payment of retirement contributions.
- ***Assigned to Specific Use***—Represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignments' purpose relates to each fund's operations and represent the remaining amounts within funds that are not restricted or committed.

Unassigned fund balance represents the residual classification of the Village's General Fund, and a Community Development deficit to offset the amount reported within nonspendable fund balance related to a long-term interfund loan.

If the Village must use funds for emergency expenditures the Board of Trustees shall authorize the expending of funds first from funds classified under GASB as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds as classified by GASB will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available, the Village will use unassigned fund balance.

13. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are normally short-term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of May 31, 2020 is shown below:

Fund	Interfund	
	Receivable	Payable
General Fund	\$ 773,694	\$ 1,111,082
Community Development Fund	9,735	182,883
Water Fund	868,329	-
Sewer Fund	242,754	36,871
Capital Projects Fund	11,744	575,420
Total	<u>\$ 1,906,256</u>	<u>\$ 1,906,256</u>

The outstanding balances between funds result from payments made on behalf of other funds or temporary advances. At May 31, 2020, the General Fund reported a long-term receivable of \$15,391 from the Sewer Fund while the Community Development Fund reported a long-term receivable of \$9,735 from the Sewer Fund. These interfund loans were established in prior years to help cover the local share of capital projects, and a portion of the loans remain outstanding at May 31, 2020.

The Village made the following transfers during the year ended May 31, 2020:

Transfers in	Transfers out			Total
	General Fund	Water Fund	Sewer Fund	
Debt Service Fund	\$ 647,981	\$ 611,229	\$ 490,414	\$ 1,749,624
Total	<u>\$ 647,981</u>	<u>\$ 611,229</u>	<u>\$ 490,414</u>	<u>\$ 1,749,624</u>

Transfers are used primarily to move revenues from the fund responsible for paying debt to the Debt Service Fund as debt service principal and interest become due, and to move various fund revenues that the Village must account for in other funds in accordance with budgetary authorizations.

14. AGENCY FUND

The Agency Fund exists for temporary deposit funds. The following is a summary of changes in assets and liabilities for the fiscal year ended May 31, 2020:

	Balance 6/1/2019	Increases	Decreases	Balance 5/31/2020
ASSETS				
Restricted cash and cash equivalents	\$ 130,066	\$ 232,373	\$ 211,898	\$ 150,541
LOSAP assets	1,362,590	140,250	81,957	1,420,883
Total assets	<u>\$ 1,492,656</u>	<u>\$ 372,623</u>	<u>\$ 293,855</u>	<u>\$ 1,571,424</u>
LIABILITIES				
Agency liabilities	\$ 130,066	\$ 350,644	\$ 330,169	\$ 150,541
Amounts held for LOSAP	1,362,590	140,250	81,957	1,420,883
Total liabilities	<u>\$ 1,492,656</u>	<u>\$ 490,894</u>	<u>\$ 412,126</u>	<u>\$ 1,571,424</u>

15. LABOR RELATIONS

Village employees are represented by five bargaining units. The Kenmore Crossing Guards Association has an unsettled contract and is in negotiations as of May 31, 2020. The Kenmore Department of Public Works Benevolent Association and Kenmore Professional Firefighters Association have contracts negotiated through May 31, 2023 and May 31, 2024, respectively. The Kenmore Salaried Employees and Kenmore Club Police Benevolent Association have contracts negotiated through May 31, 2021 and May 31, 2022, respectively.

16. COMMITMENTS

Encumbrances—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

The Village considers encumbrances to be significant for amounts that are encumbered in excess of \$20,000. The Village had no encumbrances outstanding at May 31, 2020.

17. TAX ABATEMENTS

The Village is subject to programs entered into by the Erie County Industrial Development Agency ("ECIDA"). These programs have the stated purpose of increasing business activity and employment in the region and providing housing for senior citizens and disabled citizens with low to moderate income. Economic development agreements entered into by the ECIDA includes the abatement of state, county, local and school district taxes, in addition to other assistance. In the case of the Village the abatements have resulted in reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. Under the agreements entered into by the ECIDA and the Village, the Village collected \$87,820 during the 2019-20 fiscal year in payments in lieu of taxes ("PILOTs"); these collections were made in lieu of \$435,999 in property taxes.

18. CONTINGENCIES

Litigation—The Village is involved in litigation in the ordinary course of its operations. Various legal actions are pending against the Village. The Village believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the Village's financial condition or results of operation.

Grants—In the normal course of operations, the Village receives grant funds from various federal and state agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects such amounts to be immaterial.

Other—The Village is involved in litigation in the ordinary course of its operations. The Village believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the Village's financial condition or results of operation.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 25, 2021, which is the date the financial statements are available for issuance, and have determined, except as noted below, there are no subsequent events that require disclosure under generally accepted accounting principles.

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease included limiting or closing many businesses and resulted in a severe disruption of operations for organizations. The extent of the impact of COVID-19 on the Village's operational and financial performance will depend on further developments, including the duration and spread of the outbreak, impact on patients, employees and vendors all of which cannot be predicted.

On June 17, 2020, the Village issued a general obligation serial bond for \$7,895,000 for building and infrastructure improvements, technology upgrades and capital equipment.

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REQUIRED SUPPLEMENTARY INFORMATION

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VILLAGE OF KENMORE, NEW YORK
Schedule of the Village's Proportionate Share of the Net Pension Liability—
Police and Fire Retirement System
Last Six Fiscal Years*

	Year Ended May 31,					
	2020	2019	2018	2017	2016	2015
Measurement date	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015
Village's proportion of the net pension liability	0.0789311%	0.0749461%	0.0751882%	0.0754858%	0.0755035%	0.0807224%
Village's proportionate share of the net pension liability	<u>\$ 4,218,819</u>	<u>\$ 1,256,894</u>	<u>\$ 759,970</u>	<u>\$ 1,564,557</u>	<u>\$ 2,235,499</u>	<u>\$ 222,196</u>
Village's covered payroll	\$ 2,656,781	\$ 2,589,887	\$ 2,573,404	\$ 2,586,061	\$ 2,633,341	\$ 2,594,777
Village's proportionate share of the net pension liability as a percentage of its covered payroll	158.8%	48.5%	29.5%	60.5%	84.9%	8.6%
Plan fiduciary net position as a percentage of the total net pension liability	84.9%	95.1%	96.9%	93.5%	90.2%	99.0%

*Information prior to the year ended May 31, 2015 is not available.

VILLAGE OF KENMORE, NEW YORK
Schedule of the Village's Contributions—
Police and Fire Retirement System
Last Six Fiscal Years*

	Year Ended May 31,					
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 575,219	\$ 569,633	\$ 593,764	\$ 617,871	\$ 621,877	\$ 689,027
Contributions in relation to the contractually required contribution	<u>(575,219)</u>	<u>(569,633)</u>	<u>(593,764)</u>	<u>(617,871)</u>	<u>(621,877)</u>	<u>(689,027)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village's covered payroll	\$ 2,660,665	\$ 2,631,847	\$ 2,560,206	\$ 2,686,507	\$ 2,616,649	\$ 2,566,369
Contributions as a percentage of covered payroll	21.6%	21.6%	23.2%	23.0%	23.8%	26.8%

*Information prior to the year ended May 31, 2015 is not available.

VILLAGE OF KENMORE, NEW YORK
Schedule of the Village's Proportionate Share of the Net Pension Liability—
Employees' Retirement System
Last Six Fiscal Years*

	Year Ended May 31,					
	2020	2019	2018	2017	2016	2015
Measurement date	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015
Village's proportion of the net pension liability	0.0136249%	0.0137982%	0.0129712%	0.0132930%	0.0136433%	0.0139533%
Village's proportionate share of the net pension liability	<u>\$ 3,607,941</u>	<u>\$ 977,648</u>	<u>\$ 418,637</u>	<u>\$ 1,249,039</u>	<u>\$ 2,189,788</u>	<u>\$ 471,376</u>
Village's covered payroll	\$ 3,173,236	\$ 3,258,995	\$ 3,184,331	\$ 3,036,948	\$ 2,998,200	\$ 2,993,724
Village's proportionate share of the net pension liability as a percentage of its covered payroll	113.7%	30.0%	13.1%	41.1%	73.0%	15.7%
Plan fiduciary net position as a percentage of the total net pension liability	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%

*Information prior to the year ended May 31, 2015 is not available.

VILLAGE OF KENMORE, NEW YORK
Schedule of the Village's Contributions—
Employees' Retirement System
Last Six Fiscal Years*

	Year Ended May 31,					
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 470,431	\$ 463,234	\$ 466,552	\$ 461,208	\$ 543,061	\$ 613,875
Contributions in relation to the contractually required contribution	<u>(470,431)</u>	<u>(463,234)</u>	<u>(466,552)</u>	<u>(461,208)</u>	<u>(543,061)</u>	<u>(613,875)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village's covered payroll	\$ 3,163,750	\$ 3,274,498	\$ 3,196,024	\$ 3,163,038	\$ 2,986,286	\$ 3,052,612
Contributions as a percentage of covered payroll	14.9%	14.1%	14.6%	14.6%	18.2%	20.1%

*Information prior to the year ended May 31, 2015 is not available.

VILLAGE OF KENMORE, NEW YORK
Schedule of Changes in the Village's Total OPEB Liability and Related Ratios
Last Three Fiscal Years*

	Year Ended May 31,		
	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 256,290	\$ 269,960	\$ 259,055
Interest	678,758	648,452	641,538
Changes of assumptions or other inputs	7,421,348	(291,642)	178,066
Differences between expected and actual experience	(2,626,343)	886,576	(130,594)
Benefit payments	(586,365)	(499,356)	(489,477)
Net changes in total OPEB liability	<u>5,143,688</u>	<u>1,013,990</u>	<u>458,588</u>
Total OPEB liability—beginning	<u>18,674,895</u>	<u>17,660,905</u>	<u>17,202,317</u>
Total OPEB liability—ending	<u>\$ 23,818,583</u>	<u>\$ 18,674,895</u>	<u>\$ 17,660,905</u>
Plan Fiduciary Net Position			
Contributions—employer	\$ 586,365	\$ 499,356	\$ 489,477
Benefit payments	(586,365)	(499,356)	(489,477)
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position—beginning	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village's Net OPEB liability—ending	<u>\$ 23,818,583</u>	<u>\$ 18,674,895</u>	<u>\$ 17,660,905</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 4,749,113	\$ 4,594,730	\$ 4,594,730
Village's net OPEB liability as a percentage of covered-employee payroll	501.5%	406.4%	384.4%

*Information prior to the year ended May 31, 2018 is not available.

The notes to the Required Supplementary Information are an integral part of this schedule.

VILLAGE OF KENMORE, NEW YORK
Schedule of Changes in the Village's Total
Pension Liability—LOSAP
Last Three Fiscal Years*

	Year Ended May 31,		
	2020	2019	2018
Total Pension Liability			
Service Cost	\$ 23,433	\$ 35,463	\$ 29,344
Interest	95,555	90,549	95,281
Changes of assumptions or other inputs	155,581	(202,513)	234,057
Differences between expected and actual experience	20,342	(57,227)	24,484
Benefit payments	(86,160)	(102,969)	(81,120)
Net change in total pension liability	208,751	(236,697)	302,046
Total pension liability—beginning	2,644,791	2,881,488	2,579,442
Total pension liability—ending	<u>\$ 2,853,542</u>	<u>\$ 2,644,791</u>	<u>\$ 2,881,488</u>
Covered-employee payroll	N/A	N/A	N/A
Total pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A

*Information prior to the year ended May 31, 2018 is not available.

The notes to the Required Supplementary Information are an integral part of this schedule.

VILLAGE OF KENMORE, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—General Fund
Year Ended May 31, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Real property taxes and other tax items	\$ 9,894,790	\$ 9,894,790	\$ 9,934,803	\$ 40,013
Nonproperty tax items	1,767,819	1,767,819	2,288,345	520,526
Departmental income	48,150	48,150	47,653	(497)
Intergovernmental charges	313,000	313,000	337,614	24,614
Interfund revenue	-	-	29,359	29,359
Use of money and property	10,000	10,000	63,607	53,607
Licenses and permits	134,500	134,500	177,702	43,202
Fines and forfeitures	300,000	300,000	326,529	26,529
Sale of property and compensation for loss	11,000	11,000	21,200	10,200
Miscellaneous	10,000	10,000	21,367	11,367
State aid	850,000	850,000	873,980	23,980
Total revenues	<u>13,339,259</u>	<u>13,339,259</u>	<u>14,122,159</u>	<u>782,900</u>
EXPENDITURES				
Current:				
General government support	2,413,032	2,413,032	1,841,275	571,757
Public safety	3,868,097	3,868,097	4,188,723	(320,626)
Transportation	1,820,846	1,820,846	1,325,101	495,745
Economic assistance and opportunity	28,000	28,000	6,571	21,429
Culture and recreation	223,718	223,718	162,987	60,731
Home and community services	1,156,459	1,156,459	1,276,190	(119,731)
Employee benefits	4,129,645	4,129,645	3,438,502	691,143
Total expenditures	<u>13,639,797</u>	<u>13,639,797</u>	<u>12,239,349</u>	<u>1,400,448</u>
Excess (deficiency) of revenues over expenditures	<u>(300,538)</u>	<u>(300,538)</u>	<u>1,882,810</u>	<u>2,183,348</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	-	(50,000)
Transfers out	<u>(593,745)</u>	<u>(593,745)</u>	<u>(647,981)</u>	<u>(54,236)</u>
Total other financing sources (uses)	<u>(543,745)</u>	<u>(543,745)</u>	<u>(647,981)</u>	<u>(104,236)</u>
Net change in fund balances*	(844,283)	(844,283)	1,234,829	2,079,112
Fund balances—beginning	<u>11,792,369</u>	<u>11,792,369</u>	<u>11,792,369</u>	<u>-</u>
Fund balances—ending	<u>\$ 10,948,086</u>	<u>\$ 10,948,086</u>	<u>\$ 13,027,198</u>	<u>\$ 2,079,112</u>

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance.

The notes to the Required Supplementary Information are an integral part of this schedule.

VILLAGE OF KENMORE, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Water Fund
Year Ended May 31, 2020

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Departmental income	\$ 2,077,710	\$ 2,077,710	\$ 2,185,101	\$ 107,391
Use of money and property	5,000	5,000	6,105	1,105
Total revenues	<u>2,082,710</u>	<u>2,082,710</u>	<u>2,191,206</u>	<u>108,496</u>
EXPENDITURES				
Current:				
General government support	32,500	32,500	24,000	8,500
Home and community services	1,275,402	1,275,402	1,126,051	149,351
Employee benefits	<u>204,700</u>	<u>204,700</u>	<u>192,736</u>	<u>11,964</u>
Total expenditures	<u>1,512,602</u>	<u>1,512,602</u>	<u>1,342,787</u>	<u>169,815</u>
Excess of revenues over expenditures	<u>570,108</u>	<u>570,108</u>	<u>848,419</u>	<u>278,311</u>
OTHER FINANCING USES				
Transfers out	<u>(587,879)</u>	<u>(587,879)</u>	<u>(611,229)</u>	<u>(23,350)</u>
Total other financing uses	<u>(587,879)</u>	<u>(587,879)</u>	<u>(611,229)</u>	<u>(23,350)</u>
Net change in fund balances*	(17,771)	(17,771)	237,190	254,961
Fund balances—beginning	<u>2,423,227</u>	<u>2,423,227</u>	<u>2,423,227</u>	<u>-</u>
Fund balances—ending	<u>\$ 2,405,456</u>	<u>\$ 2,405,456</u>	<u>\$ 2,660,417</u>	<u>\$ 254,961</u>

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance.

The notes to the Required Supplementary Information are an integral part of this schedule.

VILLAGE OF KENMORE, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Sewer Fund
Year Ended May 31, 2020

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Departmental income	\$ 2,000,500	\$ 2,000,500	\$ 2,034,743	\$ 34,243
Use of money and property	-	-	17,501	17,501
Total revenues	<u>2,000,500</u>	<u>2,000,500</u>	<u>2,052,244</u>	<u>51,744</u>
EXPENDITURES				
Current:				
General government support	24,350	24,350	11,000	13,350
Home and community services	1,474,057	1,474,057	979,011	495,046
Employee benefits	<u>156,897</u>	<u>156,897</u>	<u>147,139</u>	<u>9,758</u>
Total expenditures	<u>1,655,304</u>	<u>1,655,304</u>	<u>1,137,150</u>	<u>518,154</u>
Excess of revenues over expenditures	<u>345,196</u>	<u>345,196</u>	<u>915,094</u>	<u>569,898</u>
OTHER FINANCING USES				
Transfers out	<u>(467,261)</u>	<u>(467,261)</u>	<u>(490,414)</u>	<u>(23,153)</u>
Total other financing uses	<u>(467,261)</u>	<u>(467,261)</u>	<u>(490,414)</u>	<u>(23,153)</u>
Net change in fund balances*	(122,065)	(122,065)	424,680	546,745
Fund balances—beginning	<u>1,203,000</u>	<u>1,203,000</u>	<u>1,203,000</u>	-
Fund balances—ending	<u>\$ 1,080,935</u>	<u>\$ 1,080,935</u>	<u>\$ 1,627,680</u>	<u>\$ 546,745</u>

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance.

The notes to the Required Supplementary Information is an integral part of this schedule.

VILLAGE OF KENMORE, NEW YORK
Notes to the Required Supplementary Information
Year Ended May 31, 2020

1. OPEB LIABILITY

Changes of Assumptions—Changes of assumptions reflect the effects of changes in the long-term bond rate, the mortality rate, and the healthcare cost trend rate. The long-term bond rate is based on the Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date with a rate of 1.81% at May 31, 2020. Mortality rates were updated to Pub-2010 Public Retirement Plans Mortality Tables, Headcount-Weighted, without separate contingent survivor mortality, fully generational using scale MP-2019. Finally, the healthcare cost trend rate has an initial rate of 5.20% decreasing annually to an ultimate rate of 4.18%.

2. PENSION LIABILITY—LOSAP

Changes of Assumptions or Other Inputs—The discount rate used to measure the total pension liability was as follows:

December 31, 2019	3.26%
December 31, 2018	3.64%
December 31, 2017	3.16%

Trust Assets—There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73 to pay related benefits.

3. BUDGETARY INFORMATION

Budgetary Basis of Accounting—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Water Fund, Sewer Fund and Debt Service Fund. The Capital Projects Fund is appropriated on a project-length basis. No formal annual budget is adopted for the Community Development Fund. Appropriation limits, where applicable, for the Community Development Fund are maintained based on individual grants and donations accepted by the Village. The periods of such grants may vary from the Village's fiscal year.

The appropriated budget is prepared by fund, function, and department. The Village's Clerk/Treasurer may make transfers of appropriations within a fund. Amendments of appropriations require approval of the Board of Trustees. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the functional level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations. There were no outstanding encumbrances at May 31, 2020.

Excess of Expenditures over Appropriations—For the fiscal year ended May 31, 2020, the General Fund has unfavorable variances of \$320,626 in public safety, \$119,731 in home and community services and \$54,236 within transfers out. The public safety variance relates to higher than anticipated expenditures related to materials and chemicals, the home and community services variance relates to higher than anticipated personal services and the transfers out variance was due to overpayments of

debt principal payments. The Water Fund and Sewer Fund had an unfavorable variances of \$23,350 and \$23,153 within transfers out due to overpayments of debt principal payments.

Certified Public Accountants

**INDEPENDENT AUDITORS' 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**

Honorable Mayor and Village Trustees
Village of Kenmore, 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, each major fund and the aggregate remaining fund information of the Village of Kenmore, New York (the "Village") as of and for the year ended May 31, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated January 25, 2021, which report includes an emphasis of matter paragraph regarding the restatement of net position.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any significant deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control described in the accompanying schedule of findings as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Village's Responses to Findings

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Drescher & Malecki LLP

January 25, 2021

VILLAGE OF KENMORE, NEW YORK
Schedule of Findings
Year Ended May 31, 2020

We consider the deficiency presented below to be a significant deficiency in internal control.

Finding 2020-001—Bank Reconciliation Process

Criteria—Appropriate segregation of duties and internal controls surrounding the bank reconciliation process should be in place. Bank reconciliations should be performed on a monthly basis, with all variances between the general ledger and bank balance properly supported with adequate documentation and purpose to ensure the Village's cash balance is fairly stated at year-end. All outstanding checks and reconciling items should be tracked and accounted for on a monthly basis for each account individually. Reconciling items should be researched promptly so that corrective action may be taken, where necessary, to remedy them.

Condition and Context—As noted in prior years, bank accounts are not reconciled monthly and all of the accounts are reconciled at once, they are not separated. At year-end, bank reconciliations were performed by the Village's external accountant; however, there was no evidence (initials or signatures) of such review or approval being completed.

Cause—Bank reconciliations were not performed on a monthly basis. All reconciliations were completed by year-end, but were not independently reviewed. Tracking outstanding checks and reconciling items is not regularly performed.

Effect or Potential Effect—The lack of bank reconciliation controls increases the risk of misstatement due to fraud or misappropriation of assets.

Recommendation—We recommend that the Village utilize an independent review of the monthly bank reconciliations. We suggest that bank accounts be reconciled and all differences between book and bank balances be investigated on a timely basis by appropriate accounting personnel so that errors and adjustment can be quickly identified and corrected. Also, bank reconciliations should be performed separately for each bank account to reduce the risk of misstatements within cash.

View of Responsible Officials and Planned Corrective Actions—Beginning in the 2021 fiscal year, bank reconciliations are reviewed monthly by the Village's independent financial consultant, with reconciliations performed in a timely manner.

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