

**VILLAGE OF KENMORE,
NEW YORK**

*Basic Financial Statements, Required Supplementary
Information and Federal Awards Information for
the Year Ended May 31, 2023 and
Independent Auditors' Reports*

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DRESCHER & MALECKI LLP

2721 Transit Road, Suite 111
Elma, New York 14059
Telephone: 716.565.2299
Fax: 716.389.5178



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Village of Kenmore, New York (the "Village"), as of and for the year ended May 31, 2023, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Village, as of May 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the May 31, 2022 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Village's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2024 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 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

March 15, 2024

VILLAGE OF KENMORE, NEW YORK
Management's Discussion and Analysis
Year Ended May 31, 2023

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, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Village's financial statements, which follow this narrative. For comparative purposes, certain information 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 \$36,767,171 (*net position*). This consists of \$55,232,462 net investment in capital assets, \$1,997,634 restricted for specific purposes and unrestricted net position of \$(20,462,925).
- The Village's primary government net position increased by \$3,438,829 during the year ended May 31, 2023.
- At the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$28,872,876, a decrease of \$3,647,190 in comparison with the prior year's combined fund balance of \$32,520,066.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$5,375,289, or approximately 36.0 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the Village's discretion and constitutes approximately 35.8 percent of the General Fund's total fund balance of \$15,020,911 at May 31, 2023.
- The Village's total bond indebtedness decreased \$1,560,000 as the 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 the Village'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 Village is improving or deteriorating.

The *statement of activities* presents information showing how the Village's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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 Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include general government support, public safety, 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 13-14 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 are considered governmental 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 15-18 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 19-48 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 for retirement, the Village’s total OPEB liability and related ratios, the Village’s total pension liability related to LOSAP, 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 49-59 of this report.

Finally, the Federal Awards Information presents the Village’s Schedule of Expenditures of Federal Awards and can be found on pages 60-69 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 \$36,767,171 at the close of the most recent fiscal year, as compared to \$33,328,342, as restated, at the close of the fiscal year ended May 31, 2022.

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

Table 1—Condensed Statements of Net Position

	Governmental Activities	
	May 31,	
		2022
	2023	(as restated)
Current assets	\$ 39,586,703	\$ 35,226,314
Noncurrent assets	60,346,079	56,329,215
Total assets	99,932,782	91,555,529
Deferred outflows of resources	6,697,429	8,478,049
Current liabilities	10,982,505	2,978,403
Noncurrent liabilities	50,489,165	53,806,211
Total liabilities	61,471,670	56,784,614
Deferred inflows of resources	8,391,370	9,920,622
Net position:		
Net investment in capital assets	55,232,462	45,760,993
Restricted	1,997,634	1,452,666
Unrestricted	(20,462,925)	(13,885,317)
Total net position	\$ 36,767,171	\$ 33,328,342

The largest positive portion of the Village’s net position, \$55,232,462, reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, and infrastructure), net of accumulated depreciation/amortization, 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.

An additional portion of the Village's net position, \$1,997,634, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governmental and restrictions imposed by law through constitutional provisions or enabling legislation. The remaining net position, \$(20,462,925), 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, 2023 and May 31, 2022.

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

	Governmental Activities	
	Year Ended May 31,	
	2023	2022
Program revenues:		
Charges for services	\$ 5,387,799	\$ 5,310,218
Operating grants and contributions	213,689	247,828
Capital grants and contributions	1,597,317	811,543
General revenues	14,074,287	13,649,411
Total revenues	<u>21,273,092</u>	<u>20,019,000</u>
Program expenses	<u>17,834,263</u>	<u>18,093,238</u>
Change in net position	3,438,829	1,925,762
Net position—beginning	33,328,342	31,461,756
Restatement	-	(59,176)
Net position—ending	<u>\$ 36,767,171</u>	<u>\$ 33,328,342</u>

Overall revenues of the primary government increased 6.3 percent from the prior year, due primarily to increases in capital grants and contributions related to American Rescue Plan Act funds spent during the year. Total program expenses reported in the government-wide financial statements decreased 1.4 percent from the prior year ended May 31, 2022, which is primarily attributed to an increase in transportation expenses related to overtime costs.

A summary of primary government sources of revenues for the years ended May 31, 2023 and May 31, 2022 is presented in Table 3 on the following page.

Table 3—Summary of Sources of Revenues

	Year Ended May 31,		Increase/(Decrease)	
	2023	2022	Dollar (\$)	Percent (%)
Charges for services	\$ 5,387,799	\$ 5,310,218	\$ 77,581	1.5
Operating grants and contributions	213,689	247,828	(34,139)	(13.8)
Capital grants and contributions	1,597,317	811,543	785,774	96.8
Real property taxes and tax items	10,486,126	10,251,930	234,196	2.3
Other nonproperty taxes	2,530,545	2,503,347	27,198	1.1
Use of money and property	187,462	29,452	158,010	536.5
Sale of property and compensation for loss	28,030	13,580	14,450	106.4
Miscellaneous	84,117	15,565	68,552	440.4
State aid—unrestricted	758,007	835,537	(77,530)	(9.3)
Total revenues	<u>\$ 21,273,092</u>	<u>\$ 20,019,000</u>	<u>\$ 1,254,092</u>	6.3

The most significant sources of revenues for the primary government for the year ended May 31, 2023 were real property taxes and tax items of \$10,486,126, or 49.3 percent of total revenues, and charges for services of \$5,387,799, or 25.3 percent of total revenues. Similarly, for the year ended May 31, 2022, the most significant sources of revenues for the primary government were real property taxes and tax items of \$10,251,930, or 51.2 percent of total revenues, and charges for services of \$5,310,218, or 26.5 percent of total revenues.

A summary of primary government program expenses for the years ended May 31, 2023 and May 31, 2022 is presented below in Table 4.

Table 4—Summary of Program Expenses

	Year Ended May 31,		Increase/(Decrease)	
	2023	2022	Dollars (\$)	Percent (%)
General government support	\$ 3,009,460	\$ 3,118,617	\$ (109,157)	(3.5)
Public safety	5,359,840	5,630,299	(270,459)	(4.8)
Transportation	2,060,330	2,451,950	(391,620)	(16.0)
Economic assistance and opportunity	12,183	6,506	5,677	87.3
Culture and recreation	227,973	243,797	(15,824)	(6.5)
Home and community services	6,576,904	6,016,989	559,915	9.3
Interest and other fiscal charges	587,573	625,080	(37,507)	(6.0)
Total expenses	<u>\$ 17,834,263</u>	<u>\$ 18,093,238</u>	<u>\$ (258,975)</u>	(1.4)

The most significant expense items for the primary government for the year ended May 31, 2023 were home and community services of \$6,576,904, or 36.9 percent of total expenses, public safety of \$5,359,840, or 30.1 percent of total expenses, general government support of \$3,009,460, or 16.9 percent of total expenses, and transportation of \$2,060,330, or 11.6 percent of total expenses. Similarly, for the year ended May 31, 2022, the most significant expense items for the primary government were home and community services of \$6,016,989, or 33.3 percent of total expenses, public safety of \$5,630,299, or 31.1 percent of total expenses, general government support of \$3,118,617, or 17.2 percent of total expenses, and transportation of \$2,451,950, or 13.6 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, 2023, the Village's governmental funds reported combined ending fund balances of \$28,872,876, a decrease of \$3,647,190 from the prior year. Approximately 18.6 percent of this amount, \$5,369,920, 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) restricted for particular purposes, \$10,317,060, or 2) assigned for particular purposes, \$13,185,896.

The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance was \$5,375,289, while the total fund balance increased to \$15,020,911. 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 36.0 percent of total General Fund expenditures and transfers out, while total fund balance represents 100.7 percent of that same amount. The total fund balance of the Village's General Fund increased by \$1,173,825 during the current fiscal year due to an increase in real property taxes and federal aid received during the year.

The Community Development Fund maintains funds that are received from the federal government. Total revenues were \$467,037 comprised entirely of federal aid. Expenditures of \$467,218 were used towards home improvement projects under the community development block grants.

At May 31, 2023, the Village's Water Fund reports total fund balance of \$3,751,278, an increase of \$459,467 from the prior year. This fund balance consists of \$20,670 assigned for subsequent year's expenditures, and the remaining \$3,730,608 as assigned to specific use for operations of the Water Fund.

At May 31, 2023, the Village's Sewer Fund reports total fund balance of \$1,119,621 a decrease of \$333,327 from the prior year. This fund balance consists of \$312,217 assigned for subsequent year's expenditures, and the remaining \$807,404 as assigned to specific use for operations of the Sewer Fund.

The Capital Projects Fund fund balance decreased \$5,613,983 from \$13,933,409 at May 31, 2022 to \$8,319,426 at May 31, 2023. The decrease was caused primarily by capital outlay expenditures exceeding revenues as the Village spent down proceeds of debt issued for capital purposes.

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, 2023 were \$2,276,979, which were supported by transfers in from the General Fund, Water Fund and Sewer Fund. Additional transfers in from the Capital Projects Fund were due to capital projects closed during the year and remaining funds transferred to Debt Service to cover future debt payments.

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, 2023 is in Table 5 below:

Table 5—Summary of General Fund Results of Operations

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues and other financing sources	\$ 14,052,499	\$ 14,081,165	\$ 16,096,241	\$ 2,015,076
Expenditures and other financing uses	15,502,499	15,546,092	14,922,416	623,676
Deficiency of revenues and other financing sources over expenditures and other financing uses	<u>\$ (1,450,000)</u>	<u>\$ (1,464,927)</u>	<u>\$ 1,173,825</u>	<u>\$ 2,638,752</u>

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 other financing uses were \$623,676 less than the corresponding final budget appropriations while General Fund revenues and other financing sources were \$2,015,076 higher than the corresponding final budget revenues. Following are the main components of these variances:

- Employee benefits expenditures were \$724,708 less than budgeted, due to decreases in workers' compensation costs.
- Actual federal aid revenue exceeded the final budget by \$830,896, primarily due to American Rescue Plan Act funds spent by the Village during the year.
- Actual state aid revenue exceeded the final budget by \$383,000, primarily due to Consolidated Highway Aid funds spent by the Village during the year and State Aid, per capita receipts exceeding expectations.
- Actual nonproperty tax items revenue exceeded the final budget by \$370,545, 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, 2023, amounted to \$60,346,079 (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, infrastructure, land improvements, buildings and improvements, machinery and equipment, and right-to-use leased assets.

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, 2023 and May 31, 2022 are presented in Table 6 below:

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

	Governmental Activities	
	May 31,	
	2022	
	2023	(as restated)
Land	\$ 77,230	\$ 77,230
Construction in progress	12,907,654	9,860,074
Infrastructure	45,163,249	43,093,884
Buildings and improvements	89,953	101,083
Machinery and equipment	1,590,064	1,478,140
Right-to-use leased assets	517,929	597,610
Total	<u>\$ 60,346,079</u>	<u>\$ 55,208,021</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, 2023, the Village had total long-term liabilities of \$50,489,165, as compared to \$53,806,211, as restated, in the prior year.

A summary of the Village's long-term liabilities at May 31, 2023 and May 31, 2022 is presented below in Table 7:

Table 7—Summary of Long-Term Liabilities

	May 31,	
	2022	
	2023	(as restated)
Serial bonds	\$ 20,655,000	\$ 22,215,000
Premiums on serial bonds	<u>1,497,793</u>	<u>1,633,545</u>
Total bonds payable	22,152,793	23,848,545
Lease liability	573,609	656,786
Installment purchase agreement	156,302	164,958
Compensated absences	2,641,145	2,900,300
OPEB liability	14,760,967	22,379,435
Total pension liability - LOSAP	2,419,549	3,379,505
Net pension liability	<u>7,784,800</u>	<u>476,682</u>
Total	<u>\$ 50,489,165</u>	<u>\$ 53,806,211</u>

Additional information on the Village's long-term debt can be found in Note 13 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 2023 was 3.1 percent, as compared to New York State's unemployment rate of 3.9 percent and the national unemployment rate of 3.7 percent. These factors are considered in preparing the Village's budget.

The 2023-2024 General Fund adopted budget appropriations total of \$16,105,377 is an approximate increase of 3.9 percent, as compared to the adopted budget appropriations total of \$15,502,499 in 2022-2023. The Village's total General Fund tax levy in 2023-2024 is \$10,884,427, which is an increase of approximately 4.2 percent as compared to \$10,444,469 levied during the 2022-2023 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, 2023

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 16,514,172
Restricted cash and cash equivalents	19,622,171
Restricted investments	1,330,625
Receivables	1,419,181
Intergovernmental receivables	700,554
Capital assets, not being depreciated/amortized	12,984,884
Capital assets, net of accumulated depreciation/amortization	<u>47,361,195</u>
Total assets	<u>99,932,782</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources—relating to pensions	5,658,602
Deferred outflows of resources—relating to OPEB	<u>1,038,827</u>
Total deferred outflows of resources	<u>6,697,429</u>
LIABILITIES	
Accounts payable	1,242,157
Accrued liabilities	667,061
Intergovernmental payables	261,897
Due to retirement systems	200,358
Unearned revenue	709,612
Bond anticipation notes payable	7,901,420
Noncurrent liabilities:	
Due within one year	2,016,118
Due within more than one year	<u>48,473,047</u>
Total liabilities	<u>61,471,670</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources—relating to pensions	1,500,374
Deferred inflows of resources—relating to OPEB	<u>6,890,996</u>
Total deferred inflows of resources	<u>8,391,370</u>
NET POSITION	
Net investment in capital assets	55,232,462
Restricted	1,997,634
Unrestricted	<u>(20,462,925)</u>
Total net position	<u><u>\$ 36,767,171</u></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, 2023

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government support	\$ 3,009,460	\$ 620,927	\$ -	\$ 456,207	\$ (1,932,326)
Public safety	5,359,840	309,323	152,259	-	(4,898,258)
Transportation	2,060,330	48,065	-	310,214	(1,702,051)
Economic assistance and opportunity	12,183	-	61,430	-	49,247
Culture and recreation	227,973	-	-	-	(227,973)
Home and community services	6,576,904	4,409,484	-	830,896	(1,336,524)
Interest and other fiscal charges	587,573	-	-	-	(587,573)
Total primary government	<u>\$ 17,834,263</u>	<u>\$ 5,387,799</u>	<u>\$ 213,689</u>	<u>\$ 1,597,317</u>	<u>(10,635,458)</u>
General revenues:					
					\$ 10,486,126
					2,530,545
					187,462
					28,030
					84,117
					758,007
					<u>14,074,287</u>
					3,438,829
					<u>33,328,342</u>
					\$ 36,767,171

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

VILLAGE OF KENMORE, NEW YORK
Balance Sheet—Governmental Funds
May 31, 2023

	Special Revenue						
	General Fund	Community Development Fund	Water Fund	Sewer Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 12,767,610	\$ -	\$ 3,138,434	\$ 608,128	\$ -	\$ -	\$ 16,514,172
Restricted cash and cash equivalents	709,612	431,544	-	-	17,814,006	667,009	19,622,171
Restricted investments	1,330,625	-	-	-	-	-	1,330,625
Receivables	76,456	-	694,019	648,706	-	-	1,419,181
Intergovernmental receivables	527,561	22,993	-	-	150,000	-	700,554
Due from other funds	1,169,774	9,735	-	-	11,744	-	1,191,253
Total assets	<u>\$ 16,581,638</u>	<u>\$ 464,272</u>	<u>\$ 3,832,453</u>	<u>\$ 1,256,834</u>	<u>\$ 17,975,750</u>	<u>\$ 667,009</u>	<u>\$ 40,777,956</u>
LIABILITIES							
Accounts payable	\$ 278,690	\$ 21,970	\$ 66,408	\$ 88,793	\$ 786,296	\$ -	\$ 1,242,157
Accrued liabilities	387,647	-	5,419	5,317	-	-	398,383
Due to other funds	-	185,774	-	36,871	968,608	-	1,191,253
Intergovernmental payables	-	261,897	-	-	-	-	261,897
Due to retirement systems	184,778	-	9,348	6,232	-	-	200,358
Unearned revenue	709,612	-	-	-	-	-	709,612
Bond anticipation notes payable	-	-	-	-	7,901,420	-	7,901,420
Total liabilities	<u>1,560,727</u>	<u>469,641</u>	<u>81,175</u>	<u>137,213</u>	<u>9,656,324</u>	<u>-</u>	<u>11,905,080</u>
FUND BALANCES (DEFICIT)							
Restricted	1,330,625	-	-	-	8,319,426	667,009	10,317,060
Assigned	8,314,997	-	3,751,278	1,119,621	-	-	13,185,896
Unassigned	5,375,289	(5,369)	-	-	-	-	5,369,920
Total fund balances (deficit)	<u>15,020,911</u>	<u>(5,369)</u>	<u>3,751,278</u>	<u>1,119,621</u>	<u>8,319,426</u>	<u>667,009</u>	<u>28,872,876</u>
Total liabilities and fund balances (deficit)	<u>\$ 16,581,638</u>	<u>\$ 464,272</u>	<u>\$ 3,832,453</u>	<u>\$ 1,256,834</u>	<u>\$ 17,975,750</u>	<u>\$ 667,009</u>	<u>\$ 40,777,956</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, 2023

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

Total fund balances (deficit)—governmental funds (page 15)		\$ 28,872,876
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 \$90,425,622 and the accumulated depreciation is \$30,079,543.		60,346,079
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	\$ 244,478	
Deferred outflows related to experience, changes in assumptions and investment earnings	5,414,124	
Deferred inflows of resources related to pension plans	(1,500,374)	
Deferred outflows related to OPEB	1,038,827	
Deferred inflows related to OPEB	<u>(6,890,996)</u>	(1,693,941)
Net accrued interest expense for general obligation bonds is not recorded in the funds.		(268,678)
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	\$ (20,655,000)	
Premium on serial bonds	(1,497,793)	
Lease liability	(573,609)	
Installment purchase agreements	(156,302)	
Compensated absences	(2,641,145)	
OPEB liability	(14,760,967)	
Total pension liability—LOSAP	(2,419,549)	
Net pension liability	<u>(7,784,800)</u>	<u>(50,489,165)</u>
Net position of governmental activities		<u>\$ 36,767,171</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, 2023

		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	\$ 10,486,126	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,486,126	
Nonproperty tax items	2,530,545	-	-	-	-	-	2,530,545	
Departmental income	33,556	-	2,351,889	2,057,595	-	-	4,443,040	
Intergovernmental charges	357,388	-	-	-	-	-	357,388	
Interfund revenue	28,348	-	-	-	-	-	28,348	
Use of money and property	82,026	-	38,008	21,320	46,108	-	187,462	
Licenses and permits	198,805	-	-	-	-	-	198,805	
Fines and forfeitures	360,218	-	-	-	-	-	360,218	
Sale of property and compensation for loss	28,030	-	-	-	-	-	28,030	
Miscellaneous	10,238	-	-	-	73,879	-	84,117	
State aid	1,121,080	-	-	-	-	-	1,121,080	
Federal aid	830,896	467,037	-	-	150,000	-	1,447,933	
Total revenues	16,067,256	467,037	2,389,897	2,078,915	269,987	-	21,273,092	
EXPENDITURES								
Current:								
General government support	2,034,122	-	24,000	11,000	-	-	2,069,122	
Public safety	4,070,520	-	-	-	-	-	4,070,520	
Transportation	1,628,472	-	-	-	-	-	1,628,472	
Economic assistance and opportunity	9,399	-	-	-	-	-	9,399	
Culture and recreation	172,291	-	-	-	-	-	172,291	
Home and community services	1,548,130	467,218	1,113,617	1,513,455	-	-	4,642,420	
Employee benefits	3,535,451	-	200,193	150,967	-	-	3,886,611	
Debt service:								
Principal	120,499	-	-	-	-	1,560,000	1,680,499	
Interest	9,823	-	-	-	-	716,979	726,802	
Capital outlay	-	-	-	-	6,062,812	-	6,062,812	
Total expenditures	13,128,707	467,218	1,337,810	1,675,422	6,062,812	2,276,979	24,948,948	
Excess (deficiency) of revenues over expenditures	2,938,549	(181)	1,052,087	403,493	(5,792,825)	(2,276,979)	(3,675,856)	
OTHER FINANCING SOURCES (USES)								
Installment purchase agreement issued	28,666	-	-	-	-	-	28,666	
Transfers in	319	-	-	-	845,851	2,943,988	3,790,158	
Transfers out	(1,793,709)	-	(592,620)	(736,820)	(667,009)	-	(3,790,158)	
Total other financing sources (uses)	(1,764,724)	-	(592,620)	(736,820)	178,842	2,943,988	28,666	
Net change in fund balances (deficits)	1,173,825	(181)	459,467	(333,327)	(5,613,983)	667,009	(3,647,190)	
Fund balances—beginning (deficit)	13,847,086	(5,188)	3,291,811	1,452,948	13,933,409	-	32,520,066	
Fund balances—ending (deficit)	\$ 15,020,911	\$ (5,369)	\$ 3,751,278	\$ 1,119,621	\$ 8,319,426	\$ 667,009	\$ 28,872,876	

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, 2023

Amounts reported for governmental activities in the statement of activities (page 14) are different because:

Net change in fund balances (deficit)—total governmental funds (page 17) \$ (3,647,190)

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	\$ 6,483,500	
Depreciation expense	(1,339,078)	
Loss on disposal of capital assets	<u>(6,364)</u>	5,138,058

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

Direct pension contributions	1,374,121	
Cost of benefits earned net of employee contributions	<u>2,271,155</u>	(897,034)

Deferred outflows and inflows of resources relating to OPEB result from actuarial changes in the census, changes in medical premiums that are different than expected healthcare cost trend rates, and changes in assumptions and other inputs. These amounts are shown net of current year amortization. (6,823,690)

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 3,477

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	\$ 1,560,000	
Amortization of bond premium	135,752	
Principal payments on lease liability	83,177	
Installment purchase agreement issued	(28,666)	
Principal payments on installment purchase agreements	37,322	
Change in compensated absences	259,155	
Change in OPEB liability	<u>7,618,468</u>	<u>9,665,208</u>

Change in net position of governmental activities \$ 3,438,829

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

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VILLAGE OF KENMORE, NEW YORK
Notes to the Financial Statements
Year Ended May 31, 2023

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 fiduciary activities, 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.

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. 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.

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.

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

Cash and Cash Equivalents—The Village's cash and cash equivalents 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.

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, and amounts related to unearned revenue.

Restricted Investments—The Village’s restricted investments consist of annuity contracts related to the Town’s Length of Service Award Program (“LOSAP”).

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.

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/amortized 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
Right-to-use leased assets	5-20

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, 2023, 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 OPEB liability and differences during the measurement period between the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective 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, 2023, 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 OPEB liability and difference during the measurement period between the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective OPEB 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 a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) 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

Program Revenues—Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

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.

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for fund financial statement purposes. At May 31, 2023 the Village reported \$709,612 of unearned revenues in the General Fund. The Village received money in advance, but has not performed the related services and therefore recognizes a liability; the entire balance at year-end represents unspent American Rescue Plan Act funds.

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, 2023, the Village did not implement any new Governmental Accounting Board (“GASB”) Statements.

Future Impacts of Accounting Pronouncements—The Village has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangement*; and No. 96, *Subscription-Based Information Technology Arrangements*; and No. 99, *Omnibus 2022*, effective for the year ending May 31, 2024, and No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*; No. 101, *Compensated Absences*, effective for the year ending May 31, 2025, and No. 102, *Certain Risk Disclosures*, effective for the year ending May 31, 2026. The Village is, therefore, unable to disclose the impact that adopting GASB Statements No. 94, 96, 99, 100, 101 and 102 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 year ended May 31, 2023, the Village restated capital assets and long-term liabilities to record a lease liability and right-to-use leased asset that was not reported during implementation of GASB No. 87 during the year ended May 31, 2022. As a result, net position has been restated from \$33,387,518 to \$33,328,342 as of May 31, 2022.

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, 2023 are shown below:

	Governmental Funds
Petty cash (uncollateralized)	\$ 575
Deposits	<u>36,135,768</u>
Total	<u>\$ 36,136,343</u>

Deposits—All deposits are carried at fair value, and are classified by custodial credit risk at May 31, 2023 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	<u>35,802,979</u>	<u>35,635,768</u>
Total	<u>\$ 36,302,979</u>	<u>\$ 36,135,768</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, 2023, 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, cash restricted to specific use, amounts to support fund balance restrictions, and amounts related to unearned revenue as restricted cash and cash equivalents. At May 31, 2023, the Village reported restricted cash of \$709,612, \$431,544, \$17,814,006, and \$667,009 within the General Fund, Community Development Fund, Capital Projects Fund, and Debt Service Fund, respectively.

Restricted Investments—All investments are reported using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as shown on the following page.

- Level 1. Quoted prices for identical assets or liabilities in active markets to which the Village has access at the measurement date.
- Level 2. Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets in markets that are not active;
 - Observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - Inputs derived principally from, or corroborated by, observable market data correlation or by other means.
- Level 3. Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure fair value to the extent that observable inputs are not available.

As of May 31, 2023, the Village has mutual and exchange-traded funds of \$1,330,625, which are valued using quoted market prices for identical assets in active markets (level 1 input). These are reported as restricted investments within the General Fund related to the Village's Length of Service Award Program ("LOSAP"), a defined benefit volunteer firefighter award program (see Note 8).

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, 2023 consisted of the following:

Receivables—Represents amounts due from various sources. Receivables at May 31, 2023 are shown below:

General Fund:			
Contractual services	\$	40,461	
Court fees		35,257	
Miscellaneous		<u>738</u>	\$ 76,456
Water Fund:			
Water rents receivable			694,019
Sewer Fund:			
Sewer rents receivable			<u>648,706</u>
Total governmental funds			<u>\$ 1,419,181</u>

Water Rents Receivable—Represents outstanding billings for water services that have been provided to Village residents. Water rents receivable at May 31, 2023 were \$694,019 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, 2023 were \$648,706 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, 2023 are presented below:

General Fund:		
Due from Erie County - sales tax	\$ 482,253	
Due from Erie County	44,535	
Other	<u>773</u>	\$ 527,561
Community Development Fund:		
Due from Town of Tonawanda		22,993
Capital Projects Fund:		
Due from Erie County - ARPA		<u>150,000</u>
Total governmental funds		<u><u>\$ 700,554</u></u>

5. CAPITAL ASSETS

Capital asset activity for the year ended May 31, 2023 was as follows:

	Balance 6/1/2022 (as restated)	Additions	Deletions	Balance 5/31/2023
Capital assets, not being depreciated/amortized:				
Land	\$ 77,230	\$ -	\$ -	\$ 77,230
Construction in progress	9,860,074	6,062,812	3,015,232	12,907,654
Total capital assets, not being depreciated/amortized	<u>9,937,304</u>	<u>6,062,812</u>	<u>3,015,232</u>	<u>12,984,884</u>
Capital assets, being depreciated/amortized:				
Infrastructure	63,625,184	3,015,232	-	66,640,416
Land improvements	75,569	-	-	75,569
Buildings and improvements	1,097,894	-	-	1,097,894
Machinery and equipment	7,768,904	420,688	156,361	8,033,231
Right-to-use leased assets	1,593,628	-	-	1,593,628
Total capital assets, being depreciated/amortized	<u>74,161,179</u>	<u>3,435,920</u>	<u>156,361</u>	<u>77,440,738</u>
Less accumulated depreciation/amortization for:				
Infrastructure	20,531,300	945,867	-	21,477,167
Land improvements	75,569	-	-	75,569
Buildings and improvements	996,811	11,130	-	1,007,941
Machinery and equipment	6,290,764	302,400	149,997	6,443,167
Right-to-use leased assets	996,018	79,681	-	1,075,699
Total accumulated depreciation/amortization	<u>28,890,462</u>	<u>1,339,078</u>	<u>149,997</u>	<u>30,079,543</u>
Total capital assets, being depreciated/amortized, net	<u>45,270,717</u>	<u>2,096,842</u>	<u>6,364</u>	<u>47,361,195</u>
Total capital assets, net	<u>\$ 55,208,021</u>	<u>\$ 8,159,654</u>	<u>\$ 3,021,596</u>	<u>\$ 60,346,079</u>

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

Governmental activities:	
General government support	\$ 335,047
Public safety	83,665
Transportation	356,276
Culture and recreation	4,651
Home and community services	<u>559,439</u>
Total governmental activities	<u>\$ 1,339,078</u>

6. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at May 31, 2023, were as follows:

	General Fund	Water Fund	Sewer Fund	Total Governmental Funds
Salaries and employee benefits	<u>\$ 387,647</u>	<u>\$ 5,419</u>	<u>\$ 5,317</u>	<u>\$ 398,383</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 Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At May 31, 2023, the Village reported the following liabilities for its proportionate share of the net pension liabilities for PFRS and ERS. The net pension liabilities were measured as of March 31, 2023. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2022, with update procedures used to roll forward the total net pension liabilities to the measurement date. The Village’s proportion of the net pension liabilities were based on projections of the Village’s long-term share of contributions to the System 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, 2023	March 31, 2023
Net pension liability	\$ 4,766,009	\$ 3,018,791
Village's portion of the Plan's total net pension liability	0.0864900%	0.0140775%

For the year ended May 31, 2023, the Village recognized pension expense of \$1,402,795 and \$997,957 respectively, for PFRS and ERS. At May 31, 2023, 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	\$ 465,829	\$ 321,525	\$ -	\$ 84,779
Changes of assumptions	2,322,464	1,466,120	-	16,203
Net difference between projected and actual earnings on pension plan investments	8,426	-	-	17,735
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	189,991	71,765	423,417	176,085
Village contributions subsequent to the measurement date	122,455	77,903	-	-
Total	<u>\$ 3,109,165</u>	<u>\$ 1,937,313</u>	<u>\$ 423,417</u>	<u>\$ 294,802</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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as shown below.

Year Ending May 31,	PFRS	ERS
2024	\$ 456,519	\$ 342,660
2025	(165,201)	(198,245)
2026	1,364,207	609,946
2027	851,554	810,247
2028	56,214	-

Actuarial Assumptions—The total pension liability 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 liability to the measurement date. The actuarial valuations used the actuarial assumptions as shown on the following page.

	PFRS	ERS
Measurement date	March 31, 2023	March 31, 2023
Actuarial valuation date	April 1, 2022	April 1, 2022
Interest rate	5.90%	5.90%
Salary scale	6.20%	4.40%
Decrement tables	April 1, 2015- March 31, 2020	April 1, 2015- March 31, 2020
Inflation rate	2.90%	2.90%
Cost-of-living adjustments	1.50%	1.50%

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2021. The actuarial assumptions used in the April 1, 2021 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

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
Measurement date	March 31, 2023	
Asset class:		
Domestic equities	32.0 %	4.3 %
International equities	15.0	6.9
Private equity	10.0	7.5
Real estate	9.0	4.6
Opportunistic/absolute return strategy	3.0	5.4
Credit	4.0	5.4
Real assets	3.0	5.8
Fixed income	23.0	1.5
Cash	1.0	0.0
Total	100.0 %	

Discount Rate—The discount rate used to calculate the total pension liabilities was 5.9%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the 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/Asset to the Discount Rate Assumption—The chart below presents the Village’s proportionate share of the net pension liabilities calculated using the discount rate of 5.9%, as well as what the Village’s proportionate share of the net pension liabilities would be if they were calculated using a discount rate that is one percentage-point lower (4.9%) or one percentage-point higher (6.9%) than the current assumption.

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's proportionate share of the net pension liability—PFRS	\$ 9,934,970	\$ 4,766,009	\$ 485,800
Employer's proportionate share of the net pension liability/(asset)—ERS	7,295,124	3,018,791	(554,582)

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

	(Dollars in Thousands)		
	PFRS	ERS	Total
Valuation date	April 1, 2022	April 1, 2022	
Employers' total pension liability	\$ 43,835,333	\$ 232,627,259	\$ 276,462,592
Plan fiduciary net position	38,324,863	211,183,223	249,508,086
Employers' net pension liability	<u>\$ 5,510,470</u>	<u>\$ 21,444,036</u>	<u>\$ 26,954,506</u>
System fiduciary net position as a percentage of total pension liability	87.4%	90.8%	90.3%

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, 2023 represent the projected employer contribution for the period of April 1, 2023 through May 31, 2023 based on paid ERS and PFRS wages multiplied by the employer’s contribution rate, by tier. Accrued retirement contributions as of May 31, 2023 amounted to \$77,902 and \$122,456, 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, 2022, 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, 2022.

Participants Covered by the Benefit Terms—At the December 31, 2022 measurement date, the following participants were covered by the benefit terms:

Inactive participants currently receiving benefit payments	28
Inactive participants entitled to but not yet receiving benefit payments	37
Active participants	<u>29</u>
Total	<u><u>94</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, 2022 measurement date was determined using an actuarial valuation as of that date.

Actuarial Assumptions—The total pension liability in the December 31, 2022 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 4.31%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2022. 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:

	Total Pension Liability
Balance as of December 31, 2021 measurement date	\$ 3,379,505
Changes for the year:	
Service cost	33,112
Interest	74,517
Changes of assumptions or other inputs	(829,975)
Differences between expected and actual experience	(65,637)
Benefit payments	(171,973)
Net changes	(959,956)
Balance as of December 31, 2022 measurement date	\$ 2,419,549

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, 2022 measurement date, calculated using the discount rate of 4.31%, 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 (3.31%) or one percentage point higher (5.31%) than the current rate.

	1% Decrease (3.31%)	Current Discount Rate (4.31%)	1% Increase (5.31%)
Net pension liability	\$ 2,775,026	\$ 2,419,549	\$ 2,129,462

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

For the year ended May 31, 2023, the Village recognized pension expense of \$46,338. At May 31, 2023, 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	\$ 16,050	\$ 71,264
Changes of assumptions or other inputs	551,954	710,891
Benefit payments and administrative expenses subsequent to the measurement date	44,120	-
Total	<u>\$ 612,124</u>	<u>\$ 782,155</u>

The Village reported \$44,120 as deferred outflows of resources related to pensions resulting from Village transactions subsequent to the measurement date which will be recognized as a reduction of the total pension liability in the year ending May 31, 2024. 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,	
2024	\$ (62,279)
2025	(81,116)
2026	(108,868)
2027	38,112

The Village accounts for its service award program assets within its General Fund. As of May 31, 2023, program asset information was available which totaled \$1,330,625.

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 \$600,849 for the year ended May 31, 2023.

Employees Covered by Benefit Terms—At May 31, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	80
Active employees	<u>85</u>
Total	<u>165</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 \$14,760,967 was measured as of August 4, 2023, and was determined by an actuarial valuation as of May 31, 2023.

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, 2023 actuarial valuation, the entry age normal method, over a level percent of pay was used. The single discount rate changed from 2.37% to 4.06% effective May 31, 2023. The salary scale changed from 3.44% to 3.53% effective May 31, 2023. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 5.50%, while the ultimate healthcare cost trend rate is 4.00%.

The actuarial assumptions used in the May 31, 2023 valuation were based on the results of an actuarial experience study for the period June 1, 2021 thru May 31, 2023.

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, 2022:	<u>\$ 22,379,435</u>
Changes for the year:	
Service cost	407,715
Interest	525,815
Changes of assumptions or other inputs	(5,795,027)
Differences between expected and actual experience	(2,156,122)
Benefit payments	<u>(600,849)</u>
Net changes	<u>(7,618,468)</u>
Balance at May 31, 2023:	<u>\$ 14,760,967</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 total OPEB liability. The following table presents the effect a 1% change in the discount rate assumption would have on the total OPEB liability:

	1% Decrease (3.06%)	Current Discount Rate (4.06%)	1% Increase (5.06%)
Total OPEB liability	\$ 17,299,110	\$ 14,760,967	\$ 12,773,784

Additionally, healthcare costs can be subject to considerable volatility over time. The table on the following page presents the effect on the total OPEB liability of a 1% change in the initial (5.50%) and ultimate (4.00%) healthcare cost trend rates.

	1% Decrease (4.50% to 3.00%)	Healthcare Cost Trend Rate (5.50% to 4.00%)	1% Increase (6.50% to 5.00%)
Total OPEB liability	\$ 12,553,902	\$ 14,760,967	\$ 17,591,474

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, 2023 were \$600,849.

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 total OPEB liability are required to be determined. The following table presents the Village's deferred outflows and inflows of resources at May 31, 2023:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 733,292	\$ 1,868,639
Changes of assumptions	153,672	5,022,357
Contributions subsequent to the measurement date	151,863	-
Total	<u>\$ 1,038,827</u>	<u>\$ 6,890,996</u>

The Village reports \$151,863 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, 2024.

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,
2024	\$ (173,189)
2025	(1,060,153)
2026	(1,060,153)
2027	(1,060,153)
2028	(1,060,153)
Thereafter	(1,590,231)

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 \$2 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. LEASES

The Village is a lessee for a noncancellable lease of office space. The Village recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the Village initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Village determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Village uses the interest rates charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Village generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease terms include the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The Village monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position. As of May 31, 2023, the value of the lease liability was \$573,609. The Village is required to make an annual principal and interest payment on the office space of \$23,250. The lease has an interest rate of 0.39%. The value of the right-to-use lease assets as of the end of the current fiscal year was \$1,593,628 and had accumulated amortization of \$1,075,699.

The future principal and interest payments as of May 31, 2023, were as follows:

Fiscal Year Ending May 31,	Principal	Interest	Total
2024	\$ 84,490	\$ 8,510	\$ 93,000
2025	85,824	7,176	93,000
2026	87,180	5,820	93,000
2027	88,557	4,443	93,000
2028	89,955	3,045	93,000
2029-thereafter	137,603	1,896	139,499
Total	<u>\$ 573,609</u>	<u>\$ 30,890</u>	<u>\$ 604,499</u>

12. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANS”) are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs used for assessable improvement projects may be renewed for periods equivalent to the life of the permanent financing, provided that the annual reductions of principal are made.

A summary of changes in the Village’s short-term debt for the year ended May 31, 2023 is presented below:

	Balance 6/1/2022	Additions	Reductions	Balance 5/31/2023
2023 BAN	<u>\$ -</u>	<u>\$ 7,901,420</u>	<u>\$ -</u>	<u>\$ 7,901,420</u>

13. LONG-TERM LIABILITIES

In the government-wide financial statements long-term debt and other long-term obligations are reported as noncurrent liabilities in the statements of net position.

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 serial bonds, premium on serial bonds, lease liabilities, installment purchase agreements, compensated absences, other postemployment benefits ("OPEB") liability 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, 2023 is shown below:

	Balance 6/1/2022 (as restated)	Additions	Reductions	Balance 5/31/2023	Due Within One Year
Serial bonds	\$ 22,215,000	\$ -	\$ 1,560,000	\$ 20,655,000	\$ 1,625,000
Premium on serial bonds	1,633,545	-	135,752	1,497,793	135,752
Total bonds payable	23,848,545	-	1,695,752	22,152,793	1,760,752
Lease liability	656,786	-	83,177	573,609	84,490
Installment purchase agreements	164,958	28,666	37,322	156,302	38,819
Compensated absences	2,900,300	293,890	553,045	2,641,145	132,057
OPEB liability	22,379,435	933,530	8,551,998	14,760,967	-
Total pension liability - LOSAP	3,379,505	107,629	1,067,585	2,419,549	-
Net pension liability*	476,682	7,308,118	-	7,784,800	-
Total	\$ 53,806,211	\$ 8,671,833	\$ 11,988,879	\$ 50,489,165	\$ 2,016,118

*Reductions to the net pension liability are shown net of additions.

A default will have occurred if the payment of principal and interest are not paid when due and payable. Upon default in payment in full of the principal or interest on the bonds, a holder of such defaulted bond has a contractual right to sue the Village of the amount due thereon. The Village does not have any lines of credit.

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, 2023 is presented below:

	Interest Rate (%)	Year of Issue/ Maturity	Balance 6/1/2022	Additions	Payments	Balance 5/31/2023
General Fund:						
Fire apparatus and workers' compensation settlement	2.38	2014/2024	\$ 85,000	\$ -	\$ 40,000	\$ 45,000
Various purposes	2.68	2016/2041	471,200	-	86,100	385,100
Various purposes	2.00-5.00	2017/2041	940,000	-	127,000	813,000
Various purposes refunding	2.00-4.00	2017/2024	761,576	-	227,815	533,761
Various purposes	2.25-5.00	2019/2038	450,000	-	34,000	416,000
Various purposes	2.00-5.00	2020/2035	3,885,000	-	226,000	3,659,000
Water Fund:						
Various purposes	2.68	2016/2041	3,238,800	-	148,900	3,089,900
Various purposes	2.00-5.00	2017/2041	2,740,000	-	124,000	2,616,000
Various purposes refunding	2.00-4.00	2017/2024	39,871	-	39,871	-
Various purposes	2.25-5.00	2019/2038	985,000	-	49,000	936,000
Various purposes	2.00-5.00	2020/2035	135,000	-	8,000	127,000
Sewer Fund:						
Various purposes	2.00-5.00	2017/2041	4,155,000	-	179,000	3,976,000
Various purposes refunding	2.00-4.00	2017/2024	123,553	-	32,314	91,239
Various purposes	2.25-5.00	2019/2038	330,000	-	17,000	313,000
Various purposes	2.00-5.00	2020/2035	3,875,000	-	221,000	3,654,000
Totals			<u>\$ 22,215,000</u>	<u>-</u>	<u>\$ 1,560,000</u>	<u>\$ 20,655,000</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, 2023 totaled \$1,497,793.

Lease Liability—As explained in Note 11, the Village records a liability for leased assets. At May 31, 2023 the Village reported a lease liability of \$573,609.

Installment Purchase Agreements—The Village has two installment purchase agreements as lessee for the financing of certain equipment. At December 31, 2023, the liability for the installment purchase agreements totaled \$156,302. The value of the assets as of the end of the current fiscal year was \$199,522 and had accumulated amortization of \$23,269.

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, 2023 amounts to \$2,641,145, of which \$132,057 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 Liability—As explained in Note 9, 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 \$14,760,967 at May 31, 2023.

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 total pension liability for LOSAP. As of May 31, 2023 the net pension liability related to the Police and Fire and Employees’ Retirement System is estimated to be \$7,784,800 and the total pension liability related to LOSAP is estimated to be \$2,419,549. Refer to Notes 8 and 9 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	Lease Liability	Installment Purchase Agreements
2024	\$ 1,625,000	\$ 135,752	\$ 84,490	\$ 38,819
2025	1,570,000	126,527	85,824	39,900
2026	1,285,000	98,853	87,180	41,011
2027	1,300,000	98,853	88,557	36,065
2028	1,215,000	98,853	89,955	511
2029-2033	6,360,000	494,265	137,604	-
2034-2038	5,130,000	353,623	-	-
2039-2043	2,170,000	91,067	-	-
2043-thereafter	-	-	-	-
Total	<u>\$ 20,655,000</u>	<u>\$ 1,497,793</u>	<u>\$ 573,610</u>	<u>\$ 156,306</u>

Year ending May 31,	Compensated Absences	OPEB Obligation	Total Pension Liability - LOSAP	Net Pension Liability	Total
2024	\$ 132,057	\$ -	\$ -	\$ -	\$ 2,016,118
2025	-	-	-	-	1,822,251
2026	-	-	-	-	1,512,044
2027	-	-	-	-	1,523,475
2028	-	-	-	-	1,404,319
2029-2033	-	-	-	-	6,991,869
2034-2038	-	-	-	-	5,483,623
2039-2043	-	-	-	-	2,261,067
2043-thereafter	2,509,088	14,760,967	2,419,549	7,784,800	27,474,404
Total	<u>\$ 2,641,145</u>	<u>\$ 14,760,967</u>	<u>\$ 2,419,549</u>	<u>\$ 7,784,800</u>	<u>\$ 50,489,170</u>

Interest requirements on serial bonds are as follows:

Year ending May 31,	Interest
2024	\$ 394,595
2025	348,553
2026	313,262
2027	286,968
2028	265,774
2029-2033	1,070,962
2034-2038	592,569
2039-2042	<u>119,732</u>
Total	<u>\$ 3,392,415</u>

14. 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/amortization	\$ 60,346,079
Less:	
Serial bonds	(20,655,000)
Unamortized bond premium	(1,497,793)
Lease liability	(573,609)
Installment purchase agreements	(156,302)
Add:	
Unspent bond proceeds	16,982,791
Accounts payable	<u>786,296</u>
Net investment in capital assets	<u>\$ 55,232,462</u>

- ***Restricted Net Position***—This category presents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- ***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. As of May 31, 2023, the Village has no nonspendable fund balance.

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, 2023, the Village had the following restricted fund balance:

- ***Restricted for LOSAP***—Represents monies, \$1,330,625, held in trust for the administration of the Village’s LOSAP.
- ***Restricted for Capital Projects***—Represents funds, \$8,319,426, accumulated in the Capital Projects Fund to finance all or part of the cost of construction, reconstruction, or acquisition of specific items.
- ***Restricted for Debt Service***—Represents funds, \$667,009, accumulated in the Debt Service Fund that are restricted for the reduction of future debt service requirements.

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, 2023, 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, 2023, the fund balances shown below were considered to be assigned.

	General Fund	Water Fund	Sewer Fund	Total
Subsequent year's expenditures	\$ 1,450,000	\$ 20,670	\$ 312,217	\$ 1,782,887
Capital projects	4,420,996	-	-	4,420,996
Pollution remediation	1,444,001	-	-	1,444,001
Tax stabilization	500,000	-	-	500,000
Retirement payments	500,000	-	-	500,000
Specific use	-	3,730,608	807,404	4,538,012
Total	<u>\$ 8,314,997</u>	<u>\$ 3,751,278</u>	<u>\$ 1,119,621</u>	<u>\$ 13,185,896</u>

- ***Assigned to Subsequent Year’s Expenditures***—Represents available fund balance being appropriated to meet expenditure requirements in the 2023-2024 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 due to spending over revenues.

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.

15. 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, 2023 is shown on the following page.

Fund	Interfund	
	Receivable	Payable
General Fund	\$ 1,169,774	\$ -
Community Development Fund	9,735	185,774
Sewer Fund	-	36,871
Capital Projects Fund	11,744	968,608
Total	<u>\$ 1,191,253</u>	<u>\$ 1,191,253</u>

The outstanding balances between funds result from payments made on behalf of other funds or temporary advances.

The Village made the following transfers during the year ended May 31, 2023:

Transfers in	Transfers out				Total
	General Fund	Water Fund	Sewer Fund	Capital Projects Fund	
General Fund	\$ -	\$ -	\$ -	\$ 319	\$ 319
Capital Projects Fund	845,851	-	-	-	845,851
Debt Service Fund	947,858	592,620	736,820	666,690	2,943,988
Total	<u>\$ 1,793,709</u>	<u>\$ 592,620</u>	<u>\$ 736,820</u>	<u>\$ 667,009</u>	<u>\$ 3,790,158</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 finance various capital projects.

16. LABOR CONTRACTS

Village employees are represented by five bargaining units. The Kenmore Crossing Guards Association and the Kenmore Department of Public Works Benevolent Association have unsettled contracts and are in negotiations as of May 31, 2023. The Kenmore Professional Firefighters Association, the Kenmore Salaried Employees, and the Kenmore Club Police Benevolent Association have contracts negotiated through May 31, 2024, May 31, 2025, and May 31, 2026 respectively.

17. 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 has no significant encumbrance as of May 31, 2023.

18. 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 \$99,426 during 2022-23 in payments in lieu of taxes ("PILOT"); these collections were made in lieu of \$447,319 in property taxes.

19. 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.

20. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 15, 2024, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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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 Nine Fiscal Years*

	Year Ended May 31,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Measurement date	March 31, 2023	March 31, 2022	March 31, 2021	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	0.0864900%	0.0839163%	0.0743769%	0.0789311%	0.0749461%	0.0751882%	0.0754858%	0.0755035%	0.080722%
Village's proportionate share of the net pension liability	<u>\$ 4,766,009</u>	<u>\$ 476,682</u>	<u>\$ 1,291,388</u>	<u>\$ 4,218,388</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	\$ 2,895,941	\$ 2,872,439	\$ 2,869,863	\$ 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	164.6%	16.6%	45.0%	158.8%	48.5%	29.5%	60.5%	84.9%	8.6%
Plan fiduciary net position as a percentage of the total pension liability	87.4%	98.7%	95.8%	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 Nine Fiscal Years*

	Year Ended May 31,								
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 734,732	\$ 773,678	\$ 634,483	\$ 575,219	\$ 569,633	\$ 593,764	\$ 617,871	\$ 621,877	\$ 689,027
Contributions in relation to the contractually required contribution	<u>(734,732)</u>	<u>(773,678)</u>	<u>(634,483)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village's covered payroll	\$ 2,850,035	\$ 2,915,503	\$ 2,793,598	\$ 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	25.8%	26.5%	22.7%	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/(Asset)—
Employees' Retirement System
Last Nine Fiscal Years*

	Year Ended May 31,								
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	March 31, 2023	March 31, 2022	March 31, 2021	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 (asset)	0.0140775%	0.0137156%	0.0127316%	0.0136249%	0.0137982%	0.0129712%	0.0132930%	0.0136433%	0.0139533%
Village's proportionate share of the net pension liability (asset)	<u>\$ 3,018,791</u>	<u>\$ (1,121,194)</u>	<u>\$ 12,677</u>	<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	\$ 3,502,478	\$ 3,276,361	\$ 3,361,648	\$ 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 (asset) as a percentage of its covered payroll	86.2%	(34.2%)	0.4%	113.7%	30.0%	13.1%	41.1%	73.0%	15.7%
Plan fiduciary net position as a percentage of the total pension liability (asset)	90.8%	103.7%	100.0%	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 Nine Fiscal Years*

	Year Ended May 31,								
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 467,416	\$ 550,780	\$ 462,535	\$ 470,431	\$ 463,234	\$ 466,552	\$ 461,208	\$ 543,061	\$ 613,875
Contributions in relation to the contractually required contribution	<u>(467,416)</u>	<u>(550,780)</u>	<u>(462,535)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village's covered payroll	\$ 3,575,182	\$ 3,256,300	\$ 3,259,776	\$ 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	13.1%	16.9%	14.2%	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 Six Fiscal Years*

	Year Ended May 31,					
	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	\$ 407,715	\$ 284,913	\$ 438,706	\$ 256,290	\$ 269,960	\$ 259,055
Interest	525,815	462,397	428,875	678,758	648,452	641,538
Changes of benefit terms	-	-	(3,305,740)	-	-	-
Changes of assumptions	(5,795,027)	592,738	(1,783,513)	7,421,348	(291,642)	178,066
Differences between expected and actual experience	(2,156,122)	2,828,414	(281,754)	(2,626,343)	886,576	(130,594)
Benefit payments	<u>(600,849)</u>	<u>(541,648)</u>	<u>(562,536)</u>	<u>(586,365)</u>	<u>(499,356)</u>	<u>(489,477)</u>
Net changes in total OPEB liability	(7,618,468)	3,626,814	(5,065,962)	5,143,688	1,013,990	458,588
Total OPEB liability—beginning	<u>22,379,435</u>	<u>18,752,621</u>	<u>23,818,583</u>	<u>18,674,895</u>	<u>17,660,905</u>	<u>17,202,317</u>
Total OPEB liability—ending	<u>\$ 14,760,967</u>	<u>\$ 22,379,435</u>	<u>\$ 18,752,621</u>	<u>\$ 23,818,583</u>	<u>\$ 18,674,895</u>	<u>\$ 17,660,905</u>
Plan fiduciary net position						
Contributions—employer	\$ 600,849	\$ 541,648	\$ 562,536	\$ 586,365	\$ 499,356	\$ 489,477
Benefit payments	<u>(600,849)</u>	<u>(541,648)</u>	<u>(562,536)</u>	<u>(586,365)</u>	<u>(499,356)</u>	<u>(489,477)</u>
Net change in plan fiduciary net position	-	-	-	-	-	-
Plan fiduciary net position—beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village's net OPEB liability—ending	<u>\$ 14,760,967</u>	<u>\$ 22,379,435</u>	<u>\$ 18,752,621</u>	<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%	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 5,629,735	\$ 5,442,513	\$ 5,196,032	\$ 4,749,113	\$ 4,594,730	\$ 4,594,730
Village's total OPEB liability as a percentage of covered-employee payroll	262.2%	411.2%	360.9%	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 Six Fiscal Years*

	Year Ended May 31,					
	2023	2022	2021	2020	2019	2018
Total LOSAP Liability						
Service cost	\$ 33,112	\$ 44,289	\$ 31,947	\$ 23,433	\$ 35,463	\$ 29,344
Interest	74,517	68,479	92,684	95,555	90,549	95,281
Changes of assumptions or other inputs	(829,975)	(167,888)	656,146	155,581	(202,513)	234,057
Differences between expected and actual experience	(65,637)	(20,283)	3,349	20,342	(57,227)	24,484
Benefit payments	<u>(171,973)</u>	<u>(97,920)</u>	<u>(84,840)</u>	<u>(86,160)</u>	<u>(102,969)</u>	<u>(81,120)</u>
Net changes in total pension liability	(959,956)	(173,323)	699,286	208,751	(236,697)	302,046
Total pension liability—beginning	<u>3,379,505</u>	<u>3,552,828</u>	<u>2,853,542</u>	<u>2,644,791</u>	<u>2,881,488</u>	<u>2,579,442</u>
Total pension liability—ending	<u>\$ 2,419,549</u>	<u>\$ 3,379,505</u>	<u>\$ 3,552,828</u>	<u>\$ 2,853,542</u>	<u>\$ 2,644,791</u>	<u>\$ 2,881,488</u>
 Covered-employee payroll	 N/A	 N/A	 N/A	 N/A	 N/A	 N/A
 Total pension liability as a percentage of covered-employee payroll	 N/A	 N/A	 N/A	 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, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Real property taxes and other tax items	\$ 10,444,469	\$ 10,444,469	\$ 10,486,126	\$ 41,657
Nonproperty tax items	2,160,000	2,160,000	2,530,545	370,545
Departmental income	35,350	35,350	33,556	(1,794)
Intergovernmental charges	317,000	317,000	357,388	40,388
Interfund revenue	-	-	28,348	28,348
Use of money and property	20,000	20,000	82,026	62,026
Licenses and permits	124,600	124,600	198,805	74,205
Fines and forfeitures	192,000	192,000	360,218	168,218
Sale of property and compensation for loss	11,000	11,000	28,030	17,030
Miscellaneous	10,000	10,000	10,238	238
State aid	738,080	738,080	1,121,080	383,000
Federal aid	-	-	830,896	830,896
Total revenues	<u>14,052,499</u>	<u>14,052,499</u>	<u>16,067,256</u>	<u>2,014,757</u>
EXPENDITURES				
Current:				
General government support	2,602,304	2,274,438	2,034,122	240,316
Public safety	4,026,138	4,105,706	4,070,520	35,186
Transportation	1,975,525	1,990,449	1,628,472	361,977
Economic assistance and opportunity	28,000	28,000	9,399	18,601
Culture and recreation	237,597	237,598	172,291	65,307
Home and community services	1,406,963	1,553,607	1,548,130	5,477
Employee benefits	4,264,645	4,260,159	3,535,451	724,708
Debt service:				
Principal	-	120,499	120,499	-
Interest	-	9,823	9,823	-
Total expenditures	<u>14,541,172</u>	<u>14,580,279</u>	<u>13,128,707</u>	<u>1,451,572</u>
Excess (deficiency) of revenues over expenditures	<u>(488,673)</u>	<u>(527,780)</u>	<u>2,938,549</u>	<u>3,466,329</u>
OTHER FINANCING SOURCES (USES)				
Installment purchase agreement issued	-	28,666	28,666	-
Transfers in	-	-	319	319
Transfers out	<u>(961,327)</u>	<u>(965,813)</u>	<u>(1,793,709)</u>	<u>(827,896)</u>
Total other financing sources (uses)	<u>(961,327)</u>	<u>(937,147)</u>	<u>(1,764,724)</u>	<u>(827,577)</u>
Net change in fund balances*	<u>(1,450,000)</u>	<u>(1,464,927)</u>	<u>1,173,825</u>	<u>2,638,752</u>
Fund balances—beginning	<u>13,847,086</u>	<u>13,847,086</u>	<u>13,847,086</u>	<u>-</u>
Fund balances—ending	<u>\$ 12,397,086</u>	<u>\$ 12,382,159</u>	<u>\$ 15,020,911</u>	<u>\$ 2,638,752</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, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Departmental income	\$ 2,165,000	\$ 2,165,000	\$ 2,351,889	\$ 186,889
Use of money and property	5,000	5,000	38,008	33,008
Total revenues	<u>2,170,000</u>	<u>2,170,000</u>	<u>2,389,897</u>	<u>219,897</u>
EXPENDITURES				
Current:				
General government support	64,000	64,000	24,000	40,000
Home and community services	1,353,154	1,350,409	1,113,617	236,792
Employee benefits	<u>204,700</u>	<u>207,443</u>	<u>200,193</u>	<u>7,250</u>
Total expenditures	<u>1,621,854</u>	<u>1,621,852</u>	<u>1,337,810</u>	<u>284,042</u>
Excess of revenues over expenditures	<u>548,146</u>	<u>548,148</u>	<u>1,052,087</u>	<u>503,939</u>
OTHER FINANCING (USES)				
Transfers out	<u>(592,618)</u>	<u>(592,620)</u>	<u>(592,620)</u>	<u>-</u>
Total other financing (uses)	<u>(592,618)</u>	<u>(592,620)</u>	<u>(592,620)</u>	<u>-</u>
Net change in fund balances*	(44,472)	(44,472)	459,467	503,939
Fund balances—beginning	<u>3,291,811</u>	<u>3,291,811</u>	<u>3,291,811</u>	<u>-</u>
Fund balances—ending	<u>\$ 3,247,339</u>	<u>\$ 3,247,339</u>	<u>\$ 3,751,278</u>	<u>\$ 503,939</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, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Departmental income	\$ 2,205,000	\$ 2,205,000	\$ 2,057,595	\$ (147,405)
Use of money and property	-	-	21,320	21,320
Total revenues	<u>2,205,000</u>	<u>2,205,000</u>	<u>2,078,915</u>	<u>(126,085)</u>
EXPENDITURES				
Current:				
General government support	35,350	11,000	11,000	-
Home and community services	1,485,215	1,515,298	1,513,455	1,843
Employee benefits	<u>156,897</u>	<u>150,378</u>	<u>150,967</u>	<u>(589)</u>
Total expenditures	<u>1,677,462</u>	<u>1,676,676</u>	<u>1,675,422</u>	<u>1,254</u>
Excess of revenues over expenditures	<u>527,538</u>	<u>528,324</u>	<u>403,493</u>	<u>(124,831)</u>
OTHER FINANCING (USES)				
Transfers out	<u>(726,034)</u>	<u>(736,820)</u>	<u>(736,820)</u>	<u>-</u>
Total other financing (uses)	<u>(726,034)</u>	<u>(736,820)</u>	<u>(736,820)</u>	<u>-</u>
Net change in fund balances*	(198,496)	(208,496)	(333,327)	(124,831)
Fund balances—beginning	<u>1,452,948</u>	<u>1,452,948</u>	<u>1,452,948</u>	<u>-</u>
Fund balances—ending	<u>\$ 1,254,452</u>	<u>\$ 1,244,452</u>	<u>\$ 1,119,621</u>	<u>\$ (124,831)</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, 2023

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 4.06% at May 31, 2023. Mortality rates were updated to Pub-2010 Public Retirement Plans Mortality Tables, Headcount-Weighted, without separate contingent survivor mortality, fully generational using scale MP-2022. Finally, the healthcare cost trend rate has an initial rate of 5.50% increasing annually to an ultimate rate of 4.00%.

2. PENSION LIABILITY—LOSAP

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

December 30, 2021	4.31%
December 31, 2020	1.93%
December 31, 2019	3.26%
December 31, 2018	3.64%

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.

Excess of Expenditures Over Appropriations—For the year ended May 31, 2023, unfavorable variances existed in various Village governmental funds' appropriations. The Sewer Fund has unfavorable variances within employee benefits of \$589, as a result of higher than anticipated state retirement costs.

FEDERAL AWARDS INFORMATION

VILLAGE OF KENMORE, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2023

Federal Grantor/ Pass-Through Grantor Program/Cluster Title (1a)	Assistance Listing Number (1b)	Pass-Through Identifying Number (1c)	Passed- Through to Subrecipients	Total Federal Expenditures (1d)
U.S. Department of Housing and Urban Development:				
Passed through Town of Tonawanda:				
<i>CDBG - Entitlement Grants Cluster:</i>				
Community Development Block Grants/Entitlement Grants	14.218	n/a	-	467,037
<i>Total CDBG - Entitlement Grants Cluster</i>			-	467,037
Total U.S. Department of Housing and Urban Development			-	467,037
U.S. Department of Treasury:				
Direct Award:				
Coronavirus State and Local Fiscal Recovery Funds	21.027	n/a	-	830,896
Passed through Erie County:				
Coronavirus State and Local Fiscal Recovery Funds	21.027	n/a	-	150,000
Total U.S. Department of Treasury			-	980,896
Total Expenditures of Federal Awards (1e)			\$ -	\$ 1,447,933

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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VILLAGE OF KENMORE, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
Year Ended May 31, 2023

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Village of Kenmore, New York (the "Village") under programs of the federal government for the year ended May 31, 2023. The information in this Schedule is presented in accordance with the Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a select portion of the operations of the Village, it is not intended to and does not present the financial position, changes in net position or cash flows of the Village. The following notes were identified on the Schedule:

- a) Includes all federal award programs of the Village of Kenmore, New York.
- b) Source: Federal Assistance Listing Numbers, previously known as the Catalog of Federal Domestic Assistance.
- c) Pass-through identifying numbers are presented where available.
- d) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.
- e) A reconciliation to the financial statements is available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Village has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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DRESCHER & MALECKI LLP

2721 Transit Road, Suite 111
Elma, New York 14059
Telephone: 716.565.2299
Fax: 716.389.5178



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 the 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 and each major fund of the Village of Kenmore, New York (the "Village") as of and for the year ended May 31, 2023, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated March 8, 2024 (which report includes an emphasis of matter paragraph regarding the restatement of net position).

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Drescher & Malecki LLP

March 15, 2024

DRESCHER & MALECKI LLP

2721 Transit Road, Suite 111
Elma, New York 14059
Telephone: 716.565.2299
Fax: 716.389.5178



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Village of Kenmore, New York's (the "Village") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Village's major federal programs for the year ended May 31, 2023. The Village's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Village complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Village and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Village's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Village's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Village's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Village's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Village's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Village's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Drescher & Malecki LLP

March 15, 2023

VILLAGE OF KENMORE, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended May 31, 2023

Section I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified*
(*which report contains an emphasis of matter paragraph regarding a restatement of net position)

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes ✓ No

Significant deficiency(ies) identified? _____ Yes ✓ None reported

Noncompliance material to the financial statements noted? _____ Yes ✓ No

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified? _____ Yes ✓ No

Significant deficiency(ies) identified? _____ Yes ✓ None reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes ✓ No

Identification of major federal programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs? \$ 750,000

Auditee qualified as low-risk auditee? ✓ Yes _____ No

VILLAGE OF KENMORE, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended May 31, 2023

Section II. FINANCIAL STATEMENT FINDINGS

No findings noted.

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted.

VILLAGE OF KENMORE, NEW YORK
Summary Schedule of Prior Year Audit Findings and Corrective Action Plan
Year Ended May 31, 2023
(Follow-up on May 31, 2022 Findings)

Finding 2022-001—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, 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. Additionally, all bank accounts are reconciled at once, they are not separated.

Cause—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 to ensure errors and adjustments are quickly identified and corrected. Also, bank reconciliations should be performed separately for each bank account to reduce the risk of misstatements within reported cash.

View of Responsible Officials and Planned Corrective Actions—The Village has implemented an independent review of the monthly bank reconciliations. These reconciliations are forwarded to the Clerk/Treasurer for review and approval.

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