

**AUDITED  
BASIC FINANCIAL STATEMENTS**

# **VILLAGE OF WEBSTER, NEW YORK**

---

**MAY 31, 2018**

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**VILLAGE OF WEBSTER, NEW YORK**  
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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Members of the Village Board  
Village of Webster, New York

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

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

## Other Matters

### *Required Supplementary Information*

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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Freed Maxick CPAs, P.C.*

Rochester, New York  
September 25, 2018



**VILLAGE OF WEBSTER, NEW YORK**  
**STATEMENT OF NET POSITION**  
**MAY 31, 2018**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,070,340	\$ 77,598	\$ 1,147,938
Restricted cash and cash equivalents	660,242	-	660,242
Receivables	301	67,382	67,683
Internal balances	508,413	(508,413)	-
Due from other governments	513,030	-	513,030
Prepaid items	4,223	153	4,376
Capital assets not being depreciated	550,500	-	550,500
Capital assets, net of accumulated depreciation	4,222,422	1,653,625	5,876,047
Total assets	<u>7,529,471</u>	<u>1,290,345</u>	<u>8,819,816</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension outflows	252,093	91,644	343,737
Total deferred outflows of resources	<u>252,093</u>	<u>91,644</u>	<u>343,737</u>
<b>LIABILITIES</b>			
Accounts payable	93,147	14,767	107,914
Accrued liabilities	15,797	10,662	26,459
Due to retirement system	15,758	5,728	21,486
Bond anticipation notes payable	725,000	-	725,000
Noncurrent liabilities:			
Due within one year	70,762	66,155	136,917
Due in more than one year	810,321	1,183,259	1,993,580
Total liabilities	<u>1,730,785</u>	<u>1,280,571</u>	<u>3,011,356</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension inflows	388,960	141,400	530,360
Total deferred inflows of resources	<u>388,960</u>	<u>141,400</u>	<u>530,360</u>
<b>NET POSITION</b>			
Net investment in capital assets	4,400,834	517,392	4,918,226
Restricted			
Capital projects	384,877	-	384,877
Debt service	164,087	-	164,087
Miscellaneous - parks	129,913	-	129,913
Unrestricted	582,108	(557,374)	24,734
Total net position	<u>\$ 5,661,819</u>	<u>\$ (39,982)</u>	<u>\$ 5,621,837</u>

See notes to basic financial statements.

VILLAGE OF WEBSTER, NEW YORK  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MAY 31, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government</b>						
<b>Governmental activities</b>						
General government	\$ 775,598	\$ 76,081	\$ -	\$ (699,517)	\$ -	\$ (699,517)
Public safety	93,880	-	-	(93,880)	-	(93,880)
Health	1,000	65	-	(935)	-	(935)
Transportation	1,012,614	1,577	309,575	(701,462)	-	(701,462)
Economic assistance and opportunity	82,993	-	-	(82,993)	-	(82,993)
Culture and recreation	65,501	-	-	(65,501)	-	(65,501)
Home and community services	252,716	2,269	-	(250,447)	-	(250,447)
Interest on debt	15,623	-	-	(15,623)	-	(15,623)
Total governmental activities	<u>2,299,925</u>	<u>79,992</u>	<u>309,575</u>	<u>(1,910,358)</u>	<u>-</u>	<u>(1,910,358)</u>
<b>Business-type activities</b>						
Sewer	<u>794,910</u>	<u>625,700</u>	<u>-</u>	<u>-</u>	<u>(169,210)</u>	<u>(169,210)</u>
Total business-type activities	<u>794,910</u>	<u>625,700</u>	<u>-</u>	<u>-</u>	<u>(169,210)</u>	<u>(169,210)</u>
Total primary government	<u>\$ 3,094,835</u>	<u>\$ 705,692</u>	<u>\$ 309,575</u>	<u>(1,910,358)</u>	<u>(169,210)</u>	<u>(2,079,568)</u>
General revenues:						
Real property taxes				536,213	-	536,213
Real property tax items				67,964	-	67,964
Non-property taxes				1,504,287	-	1,504,287
Use of money and property				76,540	9	76,549
State aid not restricted for a specific purpose				83,689	-	83,689
Miscellaneous revenues				86,057	-	86,057
Special assessment				-	115,543	115,543
Total general revenues				<u>2,354,750</u>	<u>115,552</u>	<u>2,470,302</u>
Change in net position				444,392	(53,658)	390,734
Net position - beginning, as restated (Note 6)				<u>5,217,427</u>	<u>13,676</u>	<u>5,231,103</u>
Net position - ending				<u>\$ 5,661,819</u>	<u>\$ (39,982)</u>	<u>\$ 5,621,837</u>

See notes to basic financial statements.

**VILLAGE OF WEBSTER, NEW YORK**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**MAY 31, 2018**

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Parks and Recreation</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 940,327	\$ 100	\$ 129,913	\$ 1,070,340
Restricted cash and cash equivalents		660,242		660,242
Receivables	301	-	-	301
Due from other funds	508,413	-	-	508,413
Due from other governments	452,269	60,761	-	513,030
Prepaid items	4,223	-	-	4,223
Total assets	<u>\$ 1,905,533</u>	<u>\$ 721,103</u>	<u>\$ 129,913</u>	<u>\$ 2,756,549</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 68,566	\$ 24,581	\$ -	\$ 93,147
Accrued liabilities	11,880	-	-	11,880
Due to retirement system	15,758	-	-	15,758
Bond anticipation note payable	-	725,000	-	725,000
Total liabilities	<u>96,204</u>	<u>749,581</u>	<u>-</u>	<u>845,785</u>
<b>FUND BALANCES (DEFICIT)</b>				
Nonspendable	512,636	-	-	512,636
Restricted	548,964	-	129,913	678,877
Assigned	281,721	-	-	281,721
Unassigned (deficit)	466,008	(28,478)	-	437,530
Total fund balances (deficit)	<u>1,809,329</u>	<u>(28,478)</u>	<u>129,913</u>	<u>1,910,764</u>
Total liabilities and fund balances (deficit)	<u>\$ 1,905,533</u>	<u>\$ 721,103</u>	<u>\$ 129,913</u>	

Amounts reported for governmental activities in the statement of net position (page 3) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation.	4,772,922
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds:	
Serial bonds payable	(360,000)
Installment purchase debt	(18,563)
Compensated absences	(21,989)
Postemployment benefit obligations	(384,933)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(3,917)
Pension liabilities are not due and payable in the current period and therefore are not reported in the funds.	(95,598)
Deferred outflows are not assets of the current period and therefore are not reported in the funds.	252,093
Deferred inflows are not liabilities of the current period and therefore are not reported in the funds.	<u>(388,960)</u>
Net position	<u>\$ 5,661,819</u>

See notes to basic financial statements.

**VILLAGE OF WEBSTER, NEW YORK  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MAY 31, 2018**

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Parks and Recreation</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Real property taxes	\$ 536,213	\$ -	\$ -	\$ 536,213
Real property tax items	67,964	-	-	67,964
Non-property taxes	1,504,287	-	-	1,504,287
Services and fees	56,457	-	-	56,457
Use of money and property	76,493	-	47	76,540
Fines and permits	17,850	-	-	17,850
Sale of property and compensation for loss	5,685	-	-	5,685
Miscellaneous local sources	16,057	-	70,000	86,057
State sources	180,470	-	-	180,470
Federal sources	152,033	60,761	-	212,794
Total revenues	<u>2,613,509</u>	<u>60,761</u>	<u>70,047</u>	<u>2,744,317</u>
<b>EXPENDITURES</b>				
Current:				
General government	573,599	-	-	573,599
Public safety	57,510	-	-	57,510
Health	1,000	-	-	1,000
Transportation	922,883	-	-	922,883
Economic assistance and opportunity	63,101	-	-	63,101
Culture and recreation	39,729	-	-	39,729
Home and community services	133,830	-	-	133,830
Employee benefits	518,357	-	-	518,357
Debt service:				
Principal	103,070	-	-	103,070
Interest	11,706	-	-	11,706
Capital outlay:				
General government	-	174,829	-	174,829
Transportation	-	192,279	-	192,279
Total expenditures	<u>2,424,785</u>	<u>367,108</u>	<u>-</u>	<u>2,791,893</u>
Excess (deficit) of revenues over expenditures	188,724	(306,347)	70,047	(47,576)
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfer in	-	241,136	-	241,136
Interfund transfer out	(241,136)	-	-	(241,136)
Installment purchase debt	-	36,633	-	36,633
Total other financing sources (uses)	<u>(241,136)</u>	<u>277,769</u>	<u>-</u>	<u>36,633</u>
Net change in fund balances	(52,412)	(28,578)	70,047	(10,943)
Fund balances - beginning, as restated (Note 6)	<u>1,861,741</u>	<u>100</u>	<u>59,866</u>	<u>1,921,707</u>
Fund balances (deficit) - ending	<u>\$ 1,809,329</u>	<u>\$ (28,478)</u>	<u>\$ 129,913</u>	<u>\$ 1,910,764</u>

See notes to basic financial statements.

**VILLAGE OF WEBSTER, NEW YORK  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MAY 31, 2018**

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Net change in fund balances - total governmental funds (page 6) \$ (10,943)

Amounts reported for governmental activities in the Statement of Activities (page 4) are different because:

Governmental funds report capital outlays as expenditures. However in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$815,659), excluding construction in progress placed in service in the current period (\$252,991), exceed depreciation (\$190,780) in the current period. 371,888

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trades) is to decrease net position. (7,852)

The issuance of long-term debt (i.e., bonds, leases) 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. The amounts of these differences in the treatment of long-term debt and related items are as follows:

Repayment of serial bonds	85,000
Issuance of installment purchase debt	(36,633)
Repayment of installment purchase debt	18,070
Change in compensated absences	373
Change in other postemployment benefit obligations	15,265

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when paid. (3,917)

Change in the proportionate share of net pension liability reported in the Statement of Net Position does not provide for or require the use of current financial resources and therefore is not reported as expenditures in the governmental funds. 202,712

Change in the proportionate share of the net deferred inflows and outflows reported in the Statement of Net Position during the measurement period between the Village's contributions and its proportionate share to the total contributions to the pension systems subsequent to the measurement date do not provide for or require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (189,571)

Change in net position of governmental activities \$ 444,392

VILLAGE OF WEBSTER, NEW YORK  
 STATEMENT OF NET POSITION – ENTERPRISE FUND  
 MAY 31, 2018

Sewer

**ASSETS**

Current assets:

Cash and cash equivalents	\$	77,598
Receivables		67,382
Prepaid items		153
Total current assets		145,133

Noncurrent assets:

Capital assets, net of accumulated depreciation		1,653,625
Total noncurrent assets		1,653,625
Total assets		1,798,758

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred pension outflows		91,644
Total deferred outflows of resources		91,644

**LIABILITIES**

Current liabilities:

Accounts payable		14,767
Accrued liabilities		10,662
Due to other funds		508,413
Due to retirement system		5,728
Serial bonds payable		65,000
Compensated absences		1,155
Total current liabilities		605,725

Noncurrent liabilities:

Serial bonds payable		1,000,000
Compensated absences		10,393
Postemployment benefit obligations		138,113
Net pension liabilities		34,753
Total noncurrent liabilities		1,183,259
Total liabilities		1,788,984

**DEFERRED INFLOWS OF RESOURCES**

Deferred pension inflows		141,400
Total deferred inflows of resources		141,400

**NET POSITION**

Net investment in capital assets		517,392
Unrestricted (deficit)		(557,374)
Total net position	\$	(39,982)

**VILLAGE OF WEBSTER, NEW YORK  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –  
ENTERPRISE FUND  
FOR THE YEAR ENDED MAY 31, 2018**

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	<u>Sewer</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 625,700
Total operating revenues	<u>625,700</u>
<b>OPERATING EXPENSES</b>	
Salaries, wages and employee benefits	182,390
Contractual expense	451,184
Depreciation	124,185
Total operating expenses	<u>757,759</u>
Operating loss	<u>(132,059)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest earnings	9
Interest expense	(37,151)
Special assessment	115,543
Total non-operating revenues	<u>78,401</u>
Change in net position	(53,658)
Net position - beginning, as restated (Note 6)	<u>13,676</u>
Net position - ending	<u>\$ (39,982)</u>

See notes to basic financial statements.

**VILLAGE OF WEBSTER, NEW YORK  
STATEMENT OF CASH FLOWS – ENTERPRISE FUND  
FOR THE YEAR ENDED MAY 31, 2018**

	<u>Sewer</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>	
Cash received from customers	\$ 640,302
Cash payments for contractual expenses	(493,654)
Cash payments to employees for services	(195,696)
Net cash used by operating activities	<u>(49,048)</u>
<b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>	
Special assessment	115,543
Interfund loans	227,815
Net cash provided by non-capital financing activities	<u>343,358</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>	
Acquisition and construction of capital assets	(179,113)
Proceeds from bond anticipation notes	-
Principal payments on debt	(60,000)
Interest paid on debt	(31,675)
Net cash used by capital and related financing activities	<u>(270,788)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>	
Interest on cash and investments	<u>9</u>
Net cash provided by investing activities	<u>9</u>
Net increase in cash and cash equivalents	23,531
Cash and cash equivalents - beginning	<u>54,067</u>
Cash and cash equivalents - ending	<u>\$ 77,598</u>
<b>Reconciliation of operating loss</b>	
<b>to net cash provided (used) by operating activities:</b>	
Operating loss	\$ (132,059)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation	124,185
Pension expense	(3,115)
Change in assets and liabilities:	
Increase (decrease) in:	
Receivables	14,602
Prepaid expense	(153)
Increase (decrease) in:	
Accounts payable	(42,317)
Accrued liabilities	(8,854)
Due to retirement system	438
Compensated absences	3,807
Postemployment benefit obligations	<u>(5,582)</u>
Net cash used by operating activities	<u>\$ (49,048)</u>

See notes to basic financial statements.



VILLAGE OF WEBSTER, NEW YORK  
STATEMENT OF NET POSITION – AGENCY FUND  
MAY 31, 2018

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**ASSETS**

Cash and cash equivalents	\$	12,923
Receivables		<u>134</u>
Total assets	\$	<u><u>13,057</u></u>

**LIABILITIES**

Agency liabilities	\$	<u>13,057</u>
Total liabilities	\$	<u><u>13,057</u></u>

See notes to basic financial statements.

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**VILLAGE OF WEBSTER, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Village of Webster (the Village) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government 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.

**A. REPORTING ENTITY**

The Village reports related organizations under the guidance of the Governmental Accounting Standards Board. The Standards define the primary government, and redefines and establishes the criteria for which potential component units are included in the reporting entity. The Standards also define financial accountability of the primary government as being determined on the basis of fiscal dependency, appointment of a voting majority of a governing board, ability to impose its will or potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government.

The accompanying basic financial statements include only the operations of the Village, since management has determined that there are no other organizations that meet the criteria for inclusion in the reporting entity of the Village.

**B. BASIS OF PRESENTATION**

**1. GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). The Statement of Net Position and the Statement of Activities present financial information about the reporting government as a whole. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operation or capital) grants while the capital grants column reflects capital-specific grants. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and direct revenues for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Direct revenues include charges paid by the recipients of goods or services offered by the Village, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as direct revenues, including all taxes, are presented as general revenues.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village's net position resulting from the current year's activities.

**2. FUND FINANCIAL STATEMENTS**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenue and expenditures/expenses. Funds are organized into three major categories: governmental, enterprise, and fiduciary. An emphasis is placed on major funds within the governmental and enterprise categories.

**VILLAGE OF WEBSTER, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

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Governmental Funds:

Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is based upon determination of financial position and changes in financial position. The following are the Village's governmental fund types:

- a. General Fund - The General Fund is the general operating fund of the Village. This fund is used to account for all financial resources except for those required to be accounted for in a separate fund.
- b. Capital Project Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by the Enterprise Fund.
- c. Parks & Recreation Fund – This fund is used to account for financial resources to be used for the operations of the parks and recreation programs of the Village.

Enterprise Fund:

This fund is used to account for ongoing operations or activities, which are similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position and cash flows. The Village applies all applicable GASB pronouncements, as well as, Financial Accounting Standards Board's (FASB) Accounting Standards Codification unless these standards conflict with or contradict GASB pronouncements.

Sewer Fund – This fund is used to account for operations that provide sewer services and are financed primarily by user charges.

Other Fund Types:

Fiduciary Funds - are used to account for fiduciary activities. Fiduciary activities are those in which the Village acts as trustee or agent for resources that belong to others. These activities are not included in the government-wide financial statements because their resources do not belong to the Village and are not available for use.

Agency Fund – This fund is used to account for bid deposits, tax redemptions, joint liens and other assets and liabilities that are custodial in nature.

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 fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In 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. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**C. 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 and fiduciary fund 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 the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund 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 sixty 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, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be 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 or within the availability period for this revenue source (within sixty days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within sixty days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the Village.

The enterprise fund is reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

**D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE**

**1. CASH AND CASH EQUIVALENTS**

The Village's cash and cash equivalents consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

**2. RESTRICTED CASH AND CASH EQUIVALENTS**

Certain assets are classified on the balance sheet as restricted because their use is limited. The proceeds of bond or bond anticipation note (BAN) sales can only be used for the stated purpose of the borrowing and are restricted specifically for that purpose.

**3. RECEIVABLES**

Receivables are carried at their net realizable value. Receivables are written-off as uncollectible after the likelihood of payment is considered remote by management. Generally accepted accounting principles require the establishment of an allowance for uncollectible receivables, however, no allowance for uncollectible receivables has been provided since management believes that such allowance would not be material.

**VILLAGE OF WEBSTER, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**4. PREPAID ITEMS**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**5. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the Village chose to include all such items regardless of their acquisition date or amount. The Village was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the Village constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at 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 increase its estimated useful life. Contributed fixed assets are recorded at fair value at the date received. 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 increase its estimated useful life.

Land and construction in progress are not depreciated. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	straight-line	20-40 years
Infrastructure	20,000	straight-line	20-100 years
Furniture and equipment	5,000	straight-line	5-15 years
Vehicles	5,000	straight-line	10 years

**6. INSURANCE**

The Village is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, personal injury liability, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Settled claims from these risks has not yet exceeded commercial insurance coverage for the past three fiscal years.

**7. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the Statement of Net 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. The Village has one item that qualifies for reporting in this category. This item is related to pensions and is reported in the government-wide Statement of Net Position. It represents the effect of the net change in the Village's proportion of the collective net pension liability and the difference during the measurement period between the Village's contributions and its proportional share of total contributions to the pension system not included in pension expense. Also included is the Village's contributions to the pension system subsequent to the measurement date. See details of deferred pension outflows in Note 3.D.

**VILLAGE OF WEBSTER, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

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In addition to liabilities, the Statement of Net 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. The Village has one item that qualifies for reporting in this category. This item is related to pensions and is reported in the government-wide Statement of Net Position. It represents the effect of the net change in the Village's proportion of the collective net pension liability and difference during the measurement periods between the Village's contributions and its proportional share of total contributions to the pension system not included in pension expense. See details of deferred pension inflows in Note 3.D.

**8. FUND BALANCE 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.

**9. 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 balance 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 that when an expenditure is incurred where there are both restricted and unrestricted (committed, assigned or unassigned) amounts are available, it is the Village's practice to consider restricted amounts have been reduced first. When an expenditure is incurred for the purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the Village practice to reduce committed amounts first, followed by assigned amounts and then unassigned amounts.

**10. 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 Village Board is the highest level of decision-making authority for the Village that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as committed. The Village Board (the Board) has the ability to assign fund balance including when appropriating fund balance to cover a gap between estimated revenue 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.

**VILLAGE OF WEBSTER, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**E. REVENUES AND EXPENDITURES/EXPENSES**

**1. 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 by a given function or segment and 2) grants and contributions (including special assessments) 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.

**2. PROPERTY TAXES**

Property taxes attach as an enforceable lien on real property and are levied as of May 15<sup>th</sup> and become a lien on June 1<sup>st</sup>. Taxes are collected during the period of June 1<sup>st</sup> through October 31<sup>st</sup>. The unpaid taxes are then turned over to the County for enforcement. Any such taxes remaining unpaid at the year-end are relieved as County taxes in the subsequent year.

**3. ENTERPRISE FUND - OPERATING AND NONOPERATING REVENUES AND EXPENSES**

The enterprise fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**4. COMPENSATED ABSENCES**

The Village's labor agreements rules and regulations provide for sick and vacation leave. Upon retirement certain eligible employees qualify for paid medical and dental insurance premiums and/or payment for fractional values of unused sick leave. These payments are budgeted annually.

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, an accrual for accumulated sick leave is included in compensated absences at year-end. The compensated absences liability is calculated based on the contractually negotiated rates in effect at year-end.

Compensated absences for governmental fund type employees are reported as a fund liability and as an expenditure in the government-wide financial statements. The compensated absences liability for the governmental and business-type activities at the year-end totaled \$21,989 and \$11,548, respectively. A liability for those amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Payment of compensated absences recorded in the government-wide financial statements is dependent upon many factors; therefore timing of future payments are not readily determinable. However, management believes that sufficient resources will be made available for the payment of compensated absences when such payments become due.

**F. USE OF ESTIMATES**

The preparation of financial statements in accordance 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, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.



**VILLAGE OF WEBSTER, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**G. ACCOUNTING PRONOUNCEMENTS**

During the fiscal year ended May 31, 2018, the Village adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*; Statement No. 81, *Split-Interest Agreements*; and Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, 68 and 73*.

The primary objective of Statement No. 80 is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

The primary objective of Statement No. 81 is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

The primary objective of Statement No. 82 is to address certain issues that have been raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans*, Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*.

The Village has evaluated Statements No. 80, 81, and 82 and has determined that they have no impact on the Village's operations.

The GASB has issued the following new statements:

- Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits Other than Pensions*, which will be effective for the year ending May 31, 2019;
- Statement No. 83, *Certain Asset Retirement Obligations*, which will be effective for the year ending May 31, 2020;
- Statement No. 84, *Fiduciary Activities*, which will be effective for the year ending May 31, 2020;
- Statement No. 85, *Omnibus*, which will be effective for the year ending May 31, 2019;
- Statement No. 86, *Certain Debt Extinguishment Issues*, which will be effective for the year ending May 31, 2019;
- Statement No. 87, *Leases*, which will be effective for the year ending May 31, 2021;
- Statement No. 88, *Certain Disclosures Related to Debt, Including Direct borrowings and Direct Placements*, which will be effective for the year ending May 31, 2020;and
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for the year ending May 31, 2021.
- Statement No. 90, *Majority Equity Interests*, which will be effective for the year ending May 31, 2020.

The Village is currently reviewing these statements and plans on adoption, as required.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. DEFICIT FUND BALANCE**

At May 31, 2018, the capital projects fund, a major fund, has a deficit fund balance of \$28,478. It is not unusual for a capital projects fund, especially one that finances capital projects mainly by borrowings from external an internal sources, to report a deficit. The reason for the deficit in this case relates to the Village issuance of bond anticipation notes (BANs), which do not qualify for treatment as a long-term liability.

Accordingly, the BANs are reported as a fund liability in the capital projects fund balance sheets (rather than an inflow on the statement of revenues, expenditures, and changes in fund balances (deficit)). When the cash from the BANs are spent, expenditures are reported and fund balance is reduced. Because the BANs are the main source of resources for the fund, the result is an overall fund deficit. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANs.

**VILLAGE OF WEBSTER, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**B. LEGAL COMPLIANCE - BUDGETS**

The budget policies are as follows:

- a. No later than March 31<sup>st</sup>, the Village Treasurer submits a tentative budget to the Village Board for the fiscal year commencing the following June 1<sup>st</sup>. The tentative budget includes proposed expenditures and the proposed means of financing for all funds of the Village except for Capital Projects and Agency funds.
- b. After public hearings are conducted to obtain taxpayer comments, no later than May 1<sup>st</sup>, the Village Board adopts the budget. Appropriations established by the budget constitute a limitation on expenditures which may be incurred.
- c. All modifications of the budget must be approved by the Village Board and appropriations lapse at fiscal year-end.

**NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS**

**A. DEPOSITS AND INVESTMENTS**

The Village's investment policies are governed by State statutes. In addition, the Village has its own written investment policy. Village monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Village Treasurer is authorized to use interest bearing demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and obligations of the State of New York and its localities. Collateral is required for demand deposits and certificates of deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts, and obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations.

The Village's aggregate bank balances were fully collateralized at May 31, 2018.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year end includes \$660,242 in the Capital Projects fund, from unexpended bond anticipation note proceeds.

Investment and Deposit Policy

The Village follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Village Treasurer.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Village's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Village's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The Village's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

**VILLAGE OF WEBSTER, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Village's investment and deposit policy, all deposits of the Village including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. The Village restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.
- Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations.

**B. RECEIVABLES**

Significant revenues accrued by the Village at May 31, 2018 include the following:

General Fund:

Sales Tax	\$ 452,269
Total due from other governments	<u>\$ 452,269</u>

Sewer Fund:

Sewer rents receivable	\$ 36,786
Unbilled receivables	23,035
Miscellaneous receivables	<u>7,561</u>
Total receivables	<u>\$ 67,382</u>

Capital Fund:

OSC reimbursement for North Ave	\$ 60,761
Total due from other governments	<u>60,761</u>

**C. CAPITAL ASSETS**

Capital asset activity for the year ended May 31, 2018, was as follows:

**Governmental Activities:**

	<u>Balance 06/01/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 05/31/18</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 323,621	\$ -	\$ -	\$ 323,621
Construction work in progress	149,395	330,475	252,991	226,879
Total capital assets not being depreciated	<u>473,016</u>	<u>330,475</u>	<u>252,991</u>	<u>550,500</u>
<u>Capital assets being depreciated:</u>				
Buildings	3,336,587	-	-	3,336,587
Vehicles & equipment	2,414,343	154,247	99,253	2,469,337
Infrastructure	<u>4,365,793</u>	<u>330,937</u>	<u>-</u>	<u>4,696,730</u>
Total capital assets, being depreciated	<u>10,116,723</u>	<u>485,184</u>	<u>99,253</u>	<u>10,502,654</u>

**VILLAGE OF WEBSTER, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

	Balance 06/01/17	Increases	Decreases	Balance 05/31/18
<u>Less accumulated depreciation:</u>				
Buildings	2,908,265	33,265	-	2,941,530
Vehicles & equipment	1,731,012	92,122	91,401	1,731,733
Infrastructure	1,541,576	65,393	-	1,606,969
Total accumulated depreciation	<u>6,180,853</u>	<u>190,780</u>	<u>91,401</u>	<u>6,280,232</u>
Total capital assets being depreciated, net	<u>3,935,870</u>	<u>294,404</u>	<u>7,852</u>	<u>4,222,422</u>
Governmental activities capital assets, net	<u>\$ 4,408,886</u>	<u>\$ 624,879</u>	<u>\$ 260,843</u>	<u>\$ 4,772,922</u>

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

**Governmental activities:**

General government	\$ 72,522
Transportation	45,587
Culture and recreation	10,238
Home and community service	62,433
Total depreciation expense - governmental activities	<u>190,780</u>

**Business-Type Activities:**

	Balance 06/01/17	Increases	Decreases	Balance 05/31/18
<u>Capital assets being depreciated:</u>				
Buildings	\$ 1,657,256	\$ -	\$ -	\$ 1,657,256
Vehicles & equipment	1,897,073	191,226	-	2,088,299
Infrastructure	544,118	-	-	544,118
Total capital assets, being depreciated	<u>4,098,447</u>	<u>191,226</u>	<u>-</u>	<u>4,289,673</u>
<u>Less accumulated depreciation:</u>				
Buildings	1,040,290	23,478	-	1,063,768
Vehicles & equipment	1,416,653	98,655	-	1,515,308
Infrastructure	54,920	2,052	-	56,972
Total accumulated depreciation	<u>2,511,863</u>	<u>124,185</u>	<u>-</u>	<u>2,636,048</u>
Total capital assets being depreciated, net	<u>1,586,584</u>	<u>67,041</u>	<u>-</u>	<u>1,653,625</u>
Business-type activities capital assets, net	<u>\$ 1,586,584</u>	<u>\$ 67,041</u>	<u>\$ -</u>	<u>\$ 1,653,625</u>

**D. PENSION OBLIGATIONS**

***New York State and Local Employees' Retirement System (the System)***

Plan Description

The Village participates in the New York State and Local Employees' Retirement System (ERS), which is referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer defined benefit retirement system. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net

**VILLAGE OF WEBSTER, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the NYSRSSL. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefit's provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://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.

Funding Policy

The System is 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 10, 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 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<sup>st</sup>.

Pension Liabilities, Pension Expense, and Deferred Outflows Of Resources and Deferred Inflows Of Resources Related To Pensions

At May 31, 2018, the Village reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2017. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

	<u>ERS</u>
Measurement date	March 31, 2018
Net pension liability	\$ 130,351
Village's portion of the Plan's total net pension liability	0.0040388%
Change in proportion since the prior measurement date	(0.0002686)

For the year ended May 31, 2018, the Village recognized pension expense of \$105,824. At May 31, 2018 the Village's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 46,492	\$ 38,419
Change of assumptions	86,434	-
Net difference between projected and actual earnings on pension plan investments	189,325	373,708
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	-	118,233
Village's contributions subsequent to the measurement date	<u>21,486</u>	<u>-</u>
Total	<u>\$ 343,737</u>	<u>\$ 530,360</u>

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**NOTES TO BASIC FINANCIAL STATEMENTS**

Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended May 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>
Year ended:	
2019	(23,860)
2020	(12,971)
2021	(116,700)
2022	(54,579)
2023	-
Thereafter	-

Actuarial Assumptions

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

	<u>ERS</u>
Inflation	2.5%
Salary increases	3.8
Investment rate of return (net of investment expense, including inflation)	7.0
Cost of living adjustments	1.3
Decrement tables	April 1, 2010 - March 31, 2015

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on the Society of Actuaries’ Scale MP-2014. The actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term expected 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 return, net of investment expenses 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 the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2018 are summarized below:

<u>Asset Class:</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	36.0 %	4.6 %
International equity	14.0	6.4
Private equity	10.0	7.5
Real estate	10.0	5.6
Absolute return strategies	2.0	3.8
Opportunistic portfolio	3.0	5.7
Real assets	3.0	5.3
Bond and mortgages	17.0	1.3
Cash	1.0	(0.3)
Inflation-indexed bonds	4.0	1.3
Total	100.0 %	

**VILLAGE OF WEBSTER, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following tables present the Village’s proportionate share of the net pension (asset)/liability calculated using the discount rate of 7.0%, as well as what the Village’s proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
<u>ERS</u>			
Village's proportionate share of the net pension (asset)/liability	\$ 986,272	\$ 130,351	\$ (593,724)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2018 were as follows:

	ERS (Dollars in Thousands)
Employers' total pension liability	\$ 183,400,590
Plan net position	180,173,145
Employers' net pension liability	<u>\$ 3,227,445</u>
Ratio of plan net position to the employers' total pension liability	98.2%

Payables to the Pension Plan

Employer contributions are paid annually based on the System’s fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of May 31, 2018 represent a two month portion of the projected employer contribution for the Plan year April 1, 2018 through March 31, 2019. Accrued retirement contributions as of May 31, 2018 amounted to \$21,486.

**E. OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS (OPEB)**

***Village of Webster Retiree Medical Plan (the Plan)***

PLAN DESCRIPTION

The Village of Webster (the Village), administers the Plan as a single-employer defined benefit OPEB plan. The Plan provides for continuation of medical and dental benefits for certain retirees and their spouses and can be amended by action of the Village subject to applicable collective bargaining and employment agreements. The Plan does not issue a standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

FUNDING POLICY

The obligations of the plan members, employers and other entities are established by action of the Village pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members varies depending on the applicable agreement. The Village currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the Village.

**VILLAGE OF WEBSTER, NEW YORK**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

ACCOUNTING POLICY

The accrual basis of accounting is used. The fair value of assets, if any, is determined by the market value of assets, if any, paid by a willing buyer to a willing seller.

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The Village's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Village's annual OPEB cost for the year, the amount actually contributed to the plan, and the Village's net OPEB obligation to the Plan at May 31, 2018.

Annual required contribution (ARC)	\$ 223,715
Interest on OPEB obligation	21,756
Adjustment to ARC	<u>(23,494)</u>
Annual OPEB cost (expense)	221,977
Contributions made	<u>(242,824)</u>
Increase net OPEB obligation	(20,847)
Net OPEB obligation - beginning of year	<u>543,893</u>
Net OPEB obligation - end of year	<u><u>\$ 523,046</u></u>

Percentage of expense contributed	109.39%
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The Village's annual OPEB cost, contribution, percentage of OPEB cost contributed, and net postemployment benefit obligation for the plan for the current fiscal year ended May 31, 2018 and the two preceding years are as follows:

Fiscal Year	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2018	\$ 221,977	\$ 242,824	109.39%	\$ 523,046
2017	\$ 221,877	\$ 253,126	114.08%	\$ 543,893
2016	\$ 221,898	\$ 215,028	96.90%	\$ 575,142

FUNDED STATUS AND FUNDING PROGRESS

As of the most recent actuarial valuation, for the year ending May 31, 2016, the actuarial accrued liability for benefits was \$3,983,161, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$796,453, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 500.11%.

Actuarial valuations for OPEB involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented immediately following the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial calculations of the OPEB plan reflect a long-term perspective. Consistent with this perspective, actuarial valuations, will use actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The following assumptions were made:



**VILLAGE OF WEBSTER, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

The actuarial valuation, as of May 31, 2016, utilized the entry age normal method. The actuarial valuation included a 4.0 percent investment rate of return (net of administrative expenses), which is the expected short-term investment rate of the Village's own assets since currently the plan has no assets at the valuation date in order to establish a plan investment rate, and an ultimate healthcare cost trend of 3.8 percent. Both rates included a 2.2 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The amortization period is not to exceed thirty years.

**F. SHORT-TERM DEBT**

The purpose of all of the short-time borrowings was to provide resources for various capital construction or improvement projects. The form of financing used in all cases was bond anticipation notes (BAN). The amounts issued for governmental activities are accounted for in the capital projects fund.

State law requires that bond anticipation notes issued for capital purposes be converted to long-term obligations within five years after the original issue date, if not completely repaid. However, bond anticipation notes issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

The schedule below details the changes in short-term capital borrowings during the year ended May 31, 2018:

	Original Issue	Interest Rate	Balance 6/1/17	Issued	Redemptions	Balance 5/31/18
<b>Governmental Activities:</b>						
BAN-North Ave	2018	2.07%	\$ _____	\$ <u>725,000</u>	\$ _____	\$ <u>725,000</u>

**G. LONG-TERM LIABILITIES**

**GENERAL OBLIGATION BONDS**

The Village issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. General obligation bonds outstanding at May 31, 2018 are as follows:

<b>Governmental Activities</b>	Original Issue Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding Balance 5/31/2018
<b>General Obligation Bonds</b>					
Milling & Paving	2012	\$ 320,000	3.00%	2026	220,000
Water Tank Painting & Metalizing	2012	255,000	3.13%	2032	140,000
					<u>\$ 360,000</u>
<b>Business-Type Activities</b>					
<b>General Obligation Bonds</b>					
Sewer Outfall Replacement	2012	\$ 300,000	3.00%	2026	\$ 220,000
Sewer Plant Grit System	2012	455,000	3.13%	2032	380,000
Sewer Plant Reconstruction	2012	590,000	3.13%	2032	465,000
					<u>\$ 1,065,000</u>

**LEGAL DEBT MARGIN**

There is a statutory debt limit applicable to villages within New York State. The Village is in compliance with this debt limit.

**VILLAGE OF WEBSTER, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

CHANGES IN LONG-TERM LIABILITIES

Changes in the Village's long-term liabilities for the year ended May 31, 2018 are as follows:

<b>Governmental Activities</b>	<u>Balance 06/01/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 5/31/2018</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 445,000	\$ -	\$ 85,000	\$ 360,000	\$ 50,000
Installment purchase debt	-	36,633	18,070	18,563	18,563
Compensated absences	22,362	46,312	46,685	21,989	2,199
Postemployment benefit obligations	400,198	-	15,265	384,933	-
Net pension liability**	<u>298,310</u>	<u>-</u>	<u>202,712</u>	<u>95,598</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 1,165,870</u>	<u>\$ 82,945</u>	<u>\$ 367,732</u>	<u>\$ 881,083</u>	<u>\$ 70,762</u>
<b>Business-Type Activities</b>	<u>Balance 06/01/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 5/31/2018</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 1,125,000	\$ -	\$ 60,000	\$ 1,065,000	\$ 65,000
Compensated absences	7,741	21,941	18,134	11,548	1,155
Postemployment benefit obligations	143,695	-	5,582	138,113	-
Net pension liability**	<u>106,427</u>	<u>-</u>	<u>71,674</u>	<u>34,753</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 1,382,863</u>	<u>\$ 21,941</u>	<u>\$ 155,390</u>	<u>\$ 1,249,414</u>	<u>\$ 66,155</u>

\*\*Reductions to net pension liability are shown net of additions

The debt service requirements for the Village's bonds are as follows:

**Governmental Activities**

Year ending May 31,	Bonds		Installment Purchase Debt	
	Principal	Interest	Principal	Interest
2019	\$ 50,000	\$ 9,241	\$ 18,563	\$ 1,000
2020	50,000	8,053	-	-
2021	55,000	6,681	-	-
2022	55,000	5,188	-	-
2023	60,000	3,563	-	-
2024-2026	90,000	4,050	-	-
2029-2031	-	-	-	-
Total	<u>\$ 360,000</u>	<u>\$ 36,776</u>	<u>\$ 18,563</u>	<u>\$ 1,000</u>

**VILLAGE OF WEBSTER, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

**Buiness-Type Activities**

Year ending May 31,	Bonds	
	Principal	Interest
2019	\$ 65,000	\$ 30,294
2020	65,000	28,688
2021	65,000	26,900
2022	70,000	25,013
2023	75,000	22,931
2024-2028	385,000	78,961
2029-2033	340,000	26,341
Total	<u>\$ 1,065,000</u>	<u>\$ 239,128</u>

**COMPENSATED ABSENCES**

As explained in Note 1, the Village records the value of governmental and business-type compensated absences. The annual budgets of the respective funds of which the employees' payroll is recorded provide funding for these benefits as they become payable throughout the year. Payments by the Village to liquidate compensated absences are typically from the funds in which the individuals are employed. These operating funds include General and Sewer funds. Since the payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable. While the payments of compensated absences are dependent upon many factors, the Village has estimated that \$2,199 and \$1,155 for the governmental activities and business-type activities will be due within one year, respectively.

**OPEB OBLIGATION**

As explained in Note 3.E., the Village records the value of other postemployment benefits. Payments by the Village to liquidate other postemployment benefits are typically from the funds in which the individuals are employed. These operating funds include the General and Sewer funds.

**NET PENSION LIABILITY**

The Village reported a liability of \$95,598 and \$34,753 for the governmental activities and business-type activities, respectively for the year ended May 31, 2018 for its proportionate share of the net pension liability for the New York State and Local Employees' Retirement System. Refer to Note 3.D for additional information related to the Village's net pension liability. Payments by the Village for retirement contributions are typically from funds in which the individuals are employed. These operating funds include General and Sewer funds.

**H. NET POSITION AND FUND BALANCE**

**NET POSITION**

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 assets. Accumulated depreciation and debt used to fund capital asset purchases reduce the balance in this category. The following presents a reconciliation of capital assets (net of accumulated depreciation), to net investment in capital assets:

	Governmental Activities	Business-type Activities
Capital assets, net of accumulated depreciation	\$ 4,772,922	\$ 1,653,625
Bonds payable used for capital assets	(360,000)	(1,065,000)
Installment purchase debt	(18,563)	-
BAN payable	(725,000)	-
Unspent BAN proceeds	660,242	-
Prior period adjustment - North Ave. Connector Project	71,233	(71,233)
Net investment in capital assets	<u>\$ 4,400,834</u>	<u>\$ 517,392</u>

**VILLAGE OF WEBSTER, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

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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. Restricted net position is consistent with restricted fund balance balances at May 31, 2018.

Unrestricted net position – This category represents net position of the Village not restricted for any project or other purpose.

**FUND BALANCE**

In the fund financial statements there are five classifications of fund balance:

Nonspendable – represents net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balances maintained by the Village at May 31, 2018 include:

- *Prepaid items* – represents amounts prepaid to the retirement system and other miscellaneous items that are applicable to future accounting periods. This balance is nonspendable as the asset does not represent an available resource.
- *Long term receivable* – represents amount due from the sewer fund with no set repayment terms.

Restricted – represents amounts with constraints placed on the use of resources and are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

- *Restricted for capital projects* – represents funds to be used for construction, reconstruction and/or acquisition of capital improvements and equipment.
- *Restricted for debt service* – represents funds to be used for the repayment of debt obligations.
- *Restricted for North Ave. Connector Project* – represents funds set aside for the ongoing North Ave. Connector capital project.
- *Restricted for parks and recreation fund* – represents funds set aside for use by the Village's parks and recreation fund.

Committed – represents 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, 2018, the Village had no committed fund balances.

Assigned – represents amounts that are constrained by the Village's intent to be used for the specified purposes noted below, but are neither restricted nor committed.

- *Subsequent years' expenditures* – represents available fund balance being appropriated to meet expenditure requirements in the 2019 fiscal year.
- *Encumbrances* – represent amounts related to unperformed contracts for goods and services.

Unassigned – represents all amounts not included in other spendable classifications. The General fund is the only fund that would report a positive amount in unassigned fund balance. Residual deficit amounts of other governmental funds would also be reported as unassigned.

**VILLAGE OF WEBSTER, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

DETAIL OF FUND BALANCES

As of May 31, 2018, fund balances were classified as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Parks and Recreation</u>	<u>Total</u>
<u>Nonspendable:</u>				
Prepaid items	\$ 4,223	\$ -	\$ -	\$ 4,223
Due from sewer	508,413	-	-	508,413
<u>Restricted:</u>				
Debt	164,087	-	-	164,087
Capital	222,808	-	-	222,808
North Ave. Connector Reserve	162,069	-	-	162,069
Parks and Recreation	-	-	129,913	129,913
<u>Assigned:</u>				
Encumbrances:				
Transportation	221,869	-	-	221,869
Culture and recreation	2,950	-	-	2,950
Home and community	15,104	-	-	15,104
Subsequent years' expenditures	41,798	-	-	41,798
<u>Unassigned:</u>				
General fund	466,008	-	-	466,008
Capital projects	-	(28,478)	-	(28,478)
Total	<u>\$ 1,809,329</u>	<u>\$ (28,478)</u>	<u>\$ 129,913</u>	<u>\$ 1,910,764</u>

**H. INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of May 31, 2018 is as follows:

***Due from/to other funds:***

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Sewer	<u>\$ 508,413</u>

This amount is for expenses that occurred in the Sewer Fund in which is it unable to cover causing the General Fund to cover these expenses. Management has determined that this amount will be repaid over an unspecified period of time with interest.

**I. INTERFUND TRANSFERS**

The composition of interfund transfers as of May 31, 2018 is as follows:

***Interfund transfers:***

	<u>Transfer in:</u>
	<u>Capital</u>
<u>Transfer out:</u>	
General	<u>\$ 241,136</u>

During the year, transfers were used to fund the North Ave Connector Project, which will carry over into future years.

**VILLAGE OF WEBSTER, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 4 - COMMITMENTS AND CONTINGENCIES**

**A. RETAIL LEASE AGREEMENT FOR OPERATION OF WATER SYSTEM**

In August 2013, the Village entered into a lease agreement with Monroe County Water Authority whereby the Authority has assumed responsibility for the operation and maintenance of the Village’s water system. The lease agreement is for a period of forty years in consideration of the sum of one dollar (\$1.00).

**B. CONTINGENCIES**

**Assessments** – The Village is a defendant in litigation under Article 7 of the Real Property Tax Law of the State of New York to review tax assessments. While the Village vigorously defends assessments, the likelihood of success is on a case by case basis, and is dependent upon various factors including market values and appraised amounts. No potential amount or potential range of loss is determinable. However, management believes that level of such potential loss, if any, would be immaterial and no provisions have been made within the financial statements.

**Grants** – In the normal course of operations, the Village receives grant funds from various federal and state agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions that are specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowable expenditures resulting from such audits could become a liability of the Village. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

**C. 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 encumbrances to be significant for amounts that are encumbered in excess of \$50,000. As of May 31, 2018, significant encumbrances were \$147,424 for a dump truck and \$58,512 for gutters and repairs.

**CONSTRUCTION COMMITMENTS**

The Village has active construction projects relating to the North Ave connector Project. The Village is committed to the following amounts for each project.

<u>Vendor</u>	<u>Project</u>	<u>Remaining Balance</u>
Macedon Excavating & Paving Inc	North Ave Connector Project	\$ 884,542
Lu Engineer	North Ave Connector Project	48,266
	Total	\$ <u>932,808</u>

**NOTE 5 – TAX ABATEMENTS**

The County of Monroe Industrial Development Agency (the Agency), created by Chapter 565 of the Laws of 1970 of the State of New York pursuant to Title I of Article 18-A of General Municipal Law of the State of New York (collectively “the Act”), has three real property tax abatement agreements with various businesses in the Village under Section 412-a of the New York State Real Property Tax Law and Section 874 of the Act for the purposes of economic development and affordable housing.

**VILLAGE OF WEBSTER, NEW YORK  
NOTES TO BASIC FINANCIAL STATEMENTS**

Generally, these agreements provide for a 100 percent abatement of real property taxes in exchange for a payment in lieu of taxes (PILOT) based on the requirements noted in said individual agreements. Should the property owner not comply with the policies and laws as set forth in each agreement, the PILOT will discontinue as outlined in each agreement.

As a result of these tax abatement agreements, for the year ended May 31, 2018, the Village's total tax revenues were reduced by \$29,961.

Copies of the agreements may be obtained from Kathy Tanea, Town of Webster Director of Finance, 1000 Ridge Road, Webster, NY, 14580.

**NOTE 6 – RESTATEMENT OF FUND BALANCE/NET POSITION**

For the fiscal year ended May 31, 2018 the Village made a prior period adjustment to restate fund balances related to capital project expenditures that had previously been recorded as Business-Type Activities in the Capital Projects Fund rather than Governmental Activities. The Village's fund balance and net position has been restated as follows:

	Capital Projects Fund
Net position - beginning, as previously stated	\$ 12,213
Reclassification of business-type activity into governmental activity	(12,113)
Net position - beginning, as restated	<u>\$ 100</u>

For the fiscal year ended May 31, 2018, the Village properly corrected capital project expenditures that had previously been capitalized as Business-Type Activities rather than Governmental Activities on the government wide statements. The Village has recorded the following prior period adjustment to properly reflect these capitalized construction in progress expenditures as Governmental as opposed to Business-Type.

Governmental Activities

Net position - beginning, as previously stated	\$ 5,158,307
Adjustment to record business-type activity as governmental activity	59,120
Net position - beginning, as restated	<u>\$ 5,217,427</u>

Business-Type Activities

	Sewer
Net position - beginning, as previously stated	\$ 72,796
Adjustment above	(59,120)
Net position - beginning, as restated	<u>\$ 13,676</u>

**NOTE 7 - SUBSEQUENT EVENT**

On June 27, 2018, the Village received a Septage Receiving Station Evaluation report from Labella Associates that informed the Village of the cost to build the Wastewater Treatment Plant (WWTP) receiving station offsite as exceeding \$100,000. Due to this determination, the Village will be required to pay \$65,000 which is the remaining portion of a \$90,000 settlement agreement surrounding the WWTP.

Management has evaluated subsequent events through September 25, 2018 which is the date the financial statements are available for issuance, and have determined there are no subsequent events, other than what is noted above surrounding the WWTP settlement agreement, that require disclosure under generally accepted accounting principles.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**VILLAGE OF WEBSTER, NEW YORK  
SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN  
FOR THE YEAR ENDED MAY 31, 2018**

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
4/1/2016	\$ -	\$ 3,983,161	\$ 3,983,161	0.00%	\$ 796,453	500.11%
5/31/2013	\$ -	\$ 3,648,615	\$ 3,648,615	0.00%	\$ 992,881	367.48%
5/1/2010	\$ -	\$ 2,783,279	\$ 2,783,279	0.00%	\$ 673,007	413.56%

Schedule of Employer Contributions

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
May 31, 2014	226,091	101,438	44.87%
May 31, 2015	226,091	251,556	111.26%
May 31, 2016	221,898	215,028	96.90%
May 31, 2017	221,877	253,126	114.08%
May 31, 2018	221,977	242,824	109.39%

The notes to the required supplementary information is an integral part of this schedule.

**VILLAGE OF WEBSTER, NEW YORK  
SCHEDULE OF THE VILLAGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
EMPLOYEES' RETIREMENT SYSTEM  
LAST FOUR FISCAL YEARS\***

	<u>Year Ended May 31,</u>			
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Employees' Retirement System (ERS)</b>				
Measurement date	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Village's proportion of the net pension liability	0.005008%	0.004662%	0.004307%	0.004039%
Village's proportionate share of the net pension liability	\$ <u>169,186</u>	<u>748,275</u>	\$ <u>404,737</u>	\$ <u>130,351</u>
Village's covered-employee payroll	\$ 941,100	932,352	\$ 969,804	\$ 880,074
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll	18.0%	80.3%	41.7%	14.8%
Plan fiduciary net position as a percentage of the total pension liability	97.9%	90.7%	94.7%	98.2%

\* This Schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

**VILLAGE OF WEBSTER, NEW YORK  
SCHEDULE OF THE VILLAGE'S CONTRIBUTIONS –  
EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS  
FOR THE YEAR ENDED MAY 31,**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	**	**	**	**	**	\$ 218,302	\$ 155,512	\$ 152,081	\$ 128,738	\$ 120,711
Contributions in relation to the contractually required contribution	**	**	**	**	**	\$ 218,302	\$ 155,512	\$ 152,081	\$ 128,738	\$ 120,711
Contribution deficiency (excess)	**	**	**	**	**	-	-	-	-	-
Village's covered-employee payroll	**	**	**	**	**	1,078,982	941,100	932,352	969,804	1,047,427
Contributions as a percentage of covered-employee payroll	**	**	**	**	**	20%	17%	16%	13%	12%

\* This Schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

The notes to the required supplementary information is an integral part of this schedule.

**VILLAGE OF WEBSTER, NEW YORK  
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND  
 FOR THE YEAR ENDED MAY 31, 2018**

	<b>General Fund</b>			<b>Variance with Final Budget</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>REVENUES:</b>				
Real property taxes	\$ 535,979	\$ 535,979	\$ 536,213	\$ 234
Real property tax items	68,391	68,391	67,964	(427)
Non property taxes	1,454,141	1,454,141	1,504,287	50,146
Services and fees	62,340	62,340	56,457	(5,883)
Use of money and property	77,164	77,164	76,493	(671)
Fines and permits	38,712	38,712	17,850	(20,862)
Sale of property and compensation for loss	26,750	26,750	5,685	(21,065)
Miscellaneous local sources	9,100	9,100	16,057	6,957
State sources	161,000	161,000	180,470	19,470
Federal sources	151,133	151,133	152,033	900
<b>Total revenues</b>	<b>2,584,710</b>	<b>2,584,710</b>	<b>2,613,509</b>	<b>28,799</b>
<b>EXPENDITURES:</b>				
General government	483,863	659,114	573,599	85,515
Public safety	56,534	57,511	57,510	1
Health	1,320	1,198	1,000	198
Transportation	987,988	1,144,799	922,883	221,916
Economic assistance and opportunity	60,740	67,067	63,101	3,966
Culture and recreation	38,942	43,038	39,729	3,309
Home and community services	153,657	142,109	133,830	8,279
Employee benefits	556,339	518,223	518,357	(134)
Debt service:				
Principal	103,070	103,070	103,070	-
Interest	11,706	11,706	11,706	-
<b>Total expenditures</b>	<b>2,454,159</b>	<b>2,747,835</b>	<b>2,424,785</b>	<b>323,050</b>
Excess (deficit) of revenues over expenditures	130,551	(163,125)	188,724	351,849
<b>OTHER FINANCING SOURCES (USES):</b>				
Interfund transfers out	(130,551)	(167,253)	(241,136)	(73,883)
Net change in fund balance *	-	(330,378)	(52,412)	277,966
Fund balance - beginning	1,861,741	1,861,741	1,861,741	-
Fund balance - ending	<u>\$ 1,861,741</u>	<u>\$ 1,531,363</u>	<u>\$ 1,809,329</u>	<u>\$ 277,966</u>

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

**BUDGETARY INFORMATION**

**1. BUDGETARY BASIS OF ACCOUNTING**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. The capital projects fund is appropriated on a project-length basis. The sewer enterprise fund has a budget that is utilized for cost control purposes.

The appropriated budget is prepared by fund, function, and department. The Village's department heads may make transfers within a department. Transfers of appropriations between departments require the approval of the Village Board or, in certain limited circumstances the Village Administrator. The legal level of budgetary control (e.g., the level at which expenditures may not legally exceed appropriations) is the department 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.

**2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended May 31, 2018, expenditures exceeded appropriations in the employee benefits function (the legal level of budgetary control) within the general fund by \$134. However, total expenditures did not exceed total appropriations.

**3. FACTORS AFFECTING TRENDS IN PENSIONS AND RETIREE HEALTH PLAN**

The Village's proportionate share of the net pension liability of the pension systems is significantly dependent on the performance of the stock market and the funds that the retirement system invests in. In addition to this performance variable the discount factor has varied from 7.5% to 7.0% over the past four years. The Village's retiree health plan most significant factor affecting the AAL is that the healthcare ultimate rate trend has decreased from a rate of 4.2% to 3.8% as of the most recent actuarial valuation. The inflation factor has decreased from 2.5% to 2.2%.