

VILLAGE OF ELMIRA HEIGHTS
ELMIRA HEIGHTS, NEW YORK

FINANCIAL STATEMENTS

MAY 31, 2018

VILLAGE OF ELMIRA HEIGHTS

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and the Trustees of
the Village Board of the
Village of Elmira Heights
Elmira Heights, New York

I have audited the accompanying financial statements of the governmental activities and each major fund of the Village of Elmira Heights, New York 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 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

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Basis for Qualified Opinion on Governmental Activities

As discussed in Note-2 to the financial statements, management has not recorded certain postemployment benefits other than pensions in governmental activities and, accordingly, has not recorded expenses related to those costs. Accounting principles generally accepted in the United States of America require that these postemployment costs be recorded as liabilities and the related costs be expensed, which would increase liabilities, decrease net assets, and increase expenses. The amount by which this departure would affect the liabilities, net assets and expenses of the governmental activities is not reasonably determinable.

Qualified Opinion

In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Village of Elmira Heights, as of May 31, 2018, and the respective changes in the financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unqualified Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Village of Elmira Heights, as of May 31, 2018, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

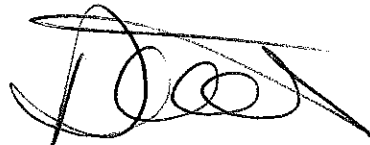
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary information on pages 3-7 and 32-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Elmira Heights, New York's basic financial statements. The combining individual special revenue fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

November 7, 2018

A handwritten signature in black ink, appearing to read 'R. McNeilly', with a large, sweeping flourish extending from the end of the signature.

Richard McNeilly CPA

VILLAGE OF ELMIRA HEIGHTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended May 31, 2018

Our discussion and analysis of the Village of Elmira Heights, New York's financial performance provides an overview of the Village's financial activities for the year ended May 31, 2018. This document should be read in conjunction with the Village's financial statements.

FINANCIAL HIGHLIGHTS

The Village's net assets increased \$420,577 as a result of this year's activity.

The assets of the Village exceeded its liabilities by \$1,010,430 (net assets) at the end of May 31, 2018. Of this amount, \$294,010 is unrestricted net assets.

No new debt was issued during the year.

At the end of the year unassigned fund balance of the general fund was \$623,639, of which \$-0- was appropriated for the 2018/2019 fiscal year budget.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements start on page 11'. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than government-wide statements by providing information about activities for which the Village acts as a trustee or agent for the benefit of those outside of the government.

REPORTING THE VILLAGE AS A WHOLE

The Statement of Net Position and the Statement of Activities

Our analysis of the Village as a whole begins on page 8. The statement of net position and the statement of activities report information about the Village as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Village's net position and changes in them. You can think of the Village's net position - the difference between assets and liabilities - as one way to measure the Village's financial health, or financial position. Over time, increases or decreases in the Village's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Village's property tax base and the condition of the Village's roads and infrastructure, to assess the overall health of the Village. In the statement of net assets and statement of activities, the Village's only activities relate to governmental activities:

Governmental activities - Most of the Village's basic services are reported here, including public safety, public works, economic assistance, culture and recreation, home and community service and general administration. Property taxes, sales taxes, franchise fees, usage fees and state and federal grants finance most of these activities.

REPORTING THE VILLAGE'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Our analysis of the Village's major funds begins on page 11, and provides detailed information about the most significant funds - not the Village as a whole. Some funds are required to be established by state law and by covenants. However, the Village board may establish other funds to help it control and manage money for particular purposes. The Village's only type of funds is governmental.

Governmental Funds - Most of the Village's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial resources that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Village's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. We describe the relationship (of differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliations on pages 13 and 16

THE VILLAGE AS TRUSTEE

Reporting the Village's Fiduciary Responsibilities

The Village is the trustee, or fiduciary, for its employees' deferred compensation plan. It is also responsible for other assets that because of a trust arrangement - can only be used for the trust beneficiaries. All of the Village's fiduciary activities are reported in a separate statement of fiduciary net assets on page 17. We exclude these activities from the Village's other financial statements because the Village cannot use these assets to finance its operations. The Village is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE VILLAGE AS A WHOLE

The Village's combined net assets increased from \$589,853 to \$589,853.

Village of Elmira Heights's Net Position

	Governmental 2018	Activities 2017
Current Assets	\$1,108,784	\$ 946,556
Capital Assets	702,943	824,582
Restricted Cash	184,639	184,552
Notes Receivable	14,768	24,451
Total Assets	<u>2,011,134</u>	<u>\$1,980,141</u>
Current Liabilities	\$ 259,665	338,672
Long-Term Liabilities	741,039	1,051,616
Total Liabilities	<u>1,000,704</u>	<u>\$ 1,390,288</u>
Invested in Capital Assets, Net of Related Debt Restricted	\$ 99,861	\$159,632
Unrestricted	616,559	675,798
Total Net Assets	294,010	(245,577)
	<u>\$1,010,430</u>	<u>\$ 589,853</u>

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

Village of Elmira Heights's Statement of Activities
Governmental Activities

	2018	2017
Program Revenues:		
Charges for Services	\$ 323,750	\$ 362,242
Operating and Capital Grants	594,154	560,423
General Revenues:		
Property Taxes	1,858,756	1,764,099
Sales Taxes	385,460	393,712
Other Taxes	98,669	96,703
Investment Earnings	4,720	5,140
Gain of Sale of Assets	---	---
Insurance Recoveries	4,140	14,942
Total Revenue	3,269,649	3,197,261
Expenses:		
General Government	487,276	476,120
Public Safety	1,046,603	1,069,919
Transportation	395,991	286,432
Economic Assistance	299,210	314,818
Culture and Recreation	38,806	34,083
Home and community Service	173,620	162,245
Employee Benefits	559,307	474,791
Interest on Debt	28,185	27,478
Total Expenses	3,028,998	2,845,886
INCREASE (DECREASE) IN NET ASSETS	240,651	351,375
Net Position, Beginning of Year	589,853	238,478
Pension Adjustment	179,926	---
Net Position, End of Year	\$1,010,430	\$ 589,853

THE VILLAGE'S FUNDS

As the Village completed the year, its governmental funds (as presented in the balance sheet on pages (11-12) reported a combined fund balance of \$ 1,240,198.

GENERAL FUND BUDGETARY HIGHLIGHTS

The significant variances between the originally adopted budget for the year ended May 31, 2018 and the final actual results were caused as follows:

Differences in revenue between the original budget and the actual results were minimal.

Differences in expenditures between the original budget and actual were the results of increased emphasis on minimizing increases in expenditures and reduced employee benefit costs. Budget line item overruns were unplanned increases in various expenditure line items.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Village's elected and appointed officials considered many factors when setting the fiscal year 2018-2019 budget. The budget appropriations were \$2,972,160 an increase of <1% over the prior year's appropriations. The tax levy had a 2.0% increase and -0- of the unappropriated fund balance was used to balance the budget. Such decision was made in order to keep property taxes at the lowest level as possible for services provided by the Village. Note that the Village's reduction in sales tax revenue should be close to leveling off; however future reductions are the County of Chemung's decision.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, creditors and other users with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the mayor, the chief fiscal officer of the Village of Elmira Heights at 215 Elmwood Avenue, Elmira Heights, NY 14903.

VILLAGE OF ELMIRA HEIGHTS
STATEMENT OF NET POSITION
MAY 31, 2018

Governmental Activities

<u>ASSETS</u>	
Current Assets	
Cash	\$ 1,088,279
Taxes receivable	---
Notes receivable-current	15,935
Inventory	<u>4,570</u>
Total Current Assets	1,108,784
Noncurrent Assets	
Restricted cash	184,639
Capital assets-depreciable (net)	680,943
Capital assets-Land	22,000
Notes receivable	<u>14,768</u>
Total Noncurrent Assets	<u>902,350</u>
TOTAL ASSETS	<u>\$ 2,011,134</u>

<u>LIABILITIES</u>	
Current Liabilities	
Accounts payable and accrued expenses	8,820
Accrued interest payable	12,402
Compensated absences	164,548
Due to other governments	11,597
Notes payable-current portion	<u>62,298</u>
Total Current Liabilities	259,665
Noncurrent Liabilities	
Notes payable	540,784
Pension liability	<u>200,255</u>
Total Noncurrent Liabilities	<u>741,039</u>
TOTAL LIABILITIES	<u>\$ 1,000,704</u>

<u>NET POSITION</u>	
Investment in capital assets, Net of related debt	\$ 99,861
Restricted net position	616,559
Unrestricted net position	<u>294,010</u>
TOTAL NET POSITION	<u>\$ 1,010,430</u>

See Notes to Financial Statements.

VILLAGE OF ELMIRA HEIGHTS
STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2018

FUNCTIONS	Expenses	Program Charges for Services
<u>Governmental Activities:</u>		
General Government	\$ 487,276	\$ 51,645
Public Safety	1,046,603	160,395
Transportation	395,991	
Economic Assistance & Opportunity	299,210	
Culture and Recreation	38,806	4,518
Home and Community Service	173,620	107,192
Employee Benefits-Unallocated	559,307	
Interest on Debt	<u>28,185</u>	
Total Governmental Activities	<u>\$3,028,998</u>	<u>\$ 323,750</u>

General Revenues:

Property Taxes
Sales Taxes
Other Taxes
Investment Earnings
Gain on Sale of Assets
Insurance Recoveries
Total General Revenues
Change in Net Position
Net Position, Beginning of Year
Change in Pension Assumptions
Net Position, End of Year

See Notes to Financial Statements.

Net (Expenses) Revenue And Changes in Net Assets		
<u>Operating Grants</u>	<u>Capital Grants</u>	<u>Governmental Activities</u>
\$ 117,057	\$	\$ (318,574)
		(886,208)
	183,112	(212,879)
293,985		(5,225)
		(34,288)
		(66,428)
		(559,307)
		<u>(28,185)</u>
<u>\$ 411,042</u>	<u>\$ 183,112</u>	<u>(2,111,094)</u>

1,858,756
 385,460
 98,669
 4,720

4,140
2,351,745
 240,651
 589,853
179,926
\$ 1,010,430

VILLAGE OF ELMIRA HEIGHTS
BALANCE SHEET-GOVERNMENTAL FUNDS
MAY 31, 2018

<u>ASSETS</u>	<u>General</u>	<u>Special Revenue</u>
Cash	\$ 656,359	\$ 431,920
Cash-Restricted	184,639	
Taxes Receivable		
Notes Receivable		<u>30,703</u>
TOTAL ASSETS	<u>\$ 840,998</u>	<u>\$ 462,623</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 8,820	\$
Due to Other Governments	11,597	
Deferred Revenue		30,703
Compensated Absences	<u>12,303</u>	<u> </u>
Total Liabilities	32,720	30,703
Fund Balances		
Restricted	184,639	431,920
Assigned		
Unassigned	<u>623,639</u>	<u> </u>
Total Fund Balances	<u>808,278</u>	<u>431,920</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 840,998</u>	<u>\$ 462,623</u>

See Notes to Financial Statements.

Total
Governmental Funds

\$1,088,279
184,639

30,703

\$1,303,621

\$ 8,820
11,597
30,703
12,303
63,423

616,559

623,639
1,240,198
\$1,303,621

VILLAGE OF ELMIRA HEIGHTS
RECONCILIATIONM OF FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION
MAY 31, 2018

Fund Balances of Governmental Funds	\$ 1,240,198
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	702,943
Other prepaid assets, including pension and ongoing inventories are not available to pay for current period expenditures and, therefore, are not deferred in governmental funds.	4,570
Deferred revenue on notes receivable are not applicable to the full accrual basis Of accounting and, therefore, not reported as deferred liabilities.	30,703
Certain short-term liabilities do not require current financial resources, therefore, are not reported as liabilities in governmental funds	(164,647)
Long-term liabilities, including bonds and pension payable are not due and payable in the current period and, therefore, are not reported in governmental funds.	<u>(803,337)</u>
 NET POSITION OF GOVERNMENTAL ACTIVITIES	 <u>\$ 1,010,430</u>

See Notes to Financial Statements.

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR YEAR ENDED MAY 31, 2018

REVENUES	General	Special Revenue
Real Property Tax	\$ 1,858,756	\$
Real Property Tax Items	31,622	
Non-Property Tax Items	452,507	
Departmental Income	120,420	
Intergovernmental Charges	149,403	
Use of Money and Property	2,045	19,883
Licenses and Permits	7,787	
Fines and Forfeitures	39,902	
Sale of Property and Compensation for Loss	4,140	
Miscellaneous Local Sources	6,238	
Interfund Revenues	---	
State Aid	252,508	
Federal Aid	<u> </u>	<u>341,646</u>
TOTAL REVENUES	2,925,328	361,529
 <u>EXPENDITURES</u>		
General Government Support	426,104	56,645
Public Safety	945,248	
Transportation	383,309	
Economic Assistance and Opportunity		299,210
Culture and Recreation	35,231	
Home and Community Service	173,620	
Employee Benefits-Unallocated	672,317	
Debt Service (Principal and Interest)	89,963	
TOTAL EXPENDITURES	2,725,792	<u>355,855</u>
REVENUES OVER (UNDER) EXPENDITURES	199,536	5,674
FUND EQUITY, BEGINNING OF YEAR	<u>608,742</u>	<u>426,246</u>
FUND EQUITY, END OF YEAR	<u>\$ 808,278</u>	<u>\$ 431,920</u>

See Notes to Financial Statements.

Total
Governmental Funds

\$ 1,858,756

31,622

452,507

120,420

149,403

21,928

7,787

39,902

4,140

6,238

252,508

341,646

3,286,857

482,749

945,248

383,309

299,210

35,231

173,620

672,317

89,963

3,081,647

205,210

1,034,988

\$ 1,240,198

VILLAGE OF ELMIRA HEIGHTS
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCE
 OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2018

Net Change in fund balances-total governmental funds \$ 205,210

Amounts reported for governmental activities in the
 statement of activities are different because:

Governmental funds report capital outlays as
 expenditures, however, they are capitalized and
 depreciated in the statement of activities. ---

The repayment of long-term debt is reported
 as an expenditure when due in governmental funds
 but as a reduction of principal outstanding
 in the statement of activities. 61,918

Some revenues in the statement of revenues and
 expenditures were not reported on the full accrual
 basis and are not reported as revenue in the
 statement of activities. (17,208)

Some expenses in the statement of activities
 do not require the use of current financial
 resources and, therefore, are not reported
 as expenditures in governmental funds. (9,269)

Changes in Net Assets of Governmental Activities \$ 240,651

See Notes to Financial Statements.

VILLAGE OF ELMIRA HEIGHTS
STATEMENT OF NET ASSETS
AGENCY FUND
MAY 31, 2018

Assets		
Cash and cash equivalents	\$	6,851
Due from governmental funds		<u>-0-</u>
Total Assets	\$	<u>6,851</u>
Liabilities		
Agency liabilities	\$	6,851
Due to governmental fund		<u>-0-</u>
Total Liabilities	\$	<u>6,851</u>

See Notes to Financial Statements.

VILLAGE OF ELMIRA HEIGHTS
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Village of Elmira Heights, New York have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). In June 1989 the GASB issued Statement 34 "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments" and Statement 35 "Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities". These statements establish new financial reporting requirements for state and local governments and public colleges and universities throughout the United States. They require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in prior years is affected.

The accompanying financial statements present the financial position of the Village and the various funds and fund types, the results of operations of the Village and the various funds and fund types. The financial statements are presented as of May 31, 2018, and for the year then ended. The financial statements include the various agencies and any other organizations governed by the Elmira Heights Trustees.

A. Financial Reporting Entity.

The Village of Elmira Heights New York, which was established in 1896, is governed by its Charter and other general laws of the State of New York and various local laws. The Board of Trustees is the legislative body responsible for the overall operation of the Village. The Mayor serves as chief executive officer and as chief fiscal officer of the Village.

The Village provides the following basic services: law enforcement, economic assistance, maintenance of Village roads and parks, building codes, fire safety and trash removal. All government activities and functions performed for the Village of Elmira Heights are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of (a) the primary government which is the Village of Elmira Heights, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement 14.

VILLAGE OF ELMIRA HEIGHTS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
MAY 31, 2018

The decision to include a potential component unit in the Village of Elmira Heights's reporting entity is based on several criteria set forth in GASB 14 including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the Elmira Heights Urban Renewal Agency is included in the reporting entity and is blended into the Village's financial statements. It administers federal grants under the U.S. Department of Housing and Urban Development. The year end for the Agency, is June 30, 2018. Complete financial statements of this Agency can be obtained from its administrative office located in the Village of Elmira Heights.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information of all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these government-wide financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a specific function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The Village does not allocate general government (indirect) to other functions.

Separate financial statements are provided for governmental funds.

C. Measurement Focus, Basis of Accounting
and Financial Statement Presentation

Government-Wide Financial Statements - The governmental-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

VILLAGE OF ELMIRA HEIGHTS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
May 31, 2018

Governmental Fund Financial Statements - The Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Principal revenue sources considered to be susceptible to accrual include federal grants, state grants, and sales and property taxes. Other revenues have been accrued in accordance with generally accepted accounting principles since they have been earned and are expected to be collected within 60 days of the end of the period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual of accounting include:

Employees' vested annual leave is recorded as an expenditure when utilized. The amount of accumulated annual leave unpaid at May 31, 2018, has been reported in the governmental funds for the portion estimated to be used in the following year and in the government-wide financial statements for the long-term liability.

Interest on general long-term obligations is recognized when paid.

Executory purchase orders and contracts are recorded as a reservation of fund balances.

Debt service expenditures and claims and judgements are recorded only when payment is due.

D. Fund Accounting

The accounts of the Village are organized on the basis of funds each of which is considered a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, and where appropriate, fund balance/retained earnings, revenues and expenditures/expenses which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are summarized by type in the financial statements. The following fund types:

1. Governmental Funds

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

VILLAGE OF ELMIRA HEIGHTS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
MAY 31, 2018

a. General Fund - The general fund is the principal fund and includes all operations not required to be recorded in other funds.

b. Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The special revenue funds of the Village include the Elmira Heights Urban Renewal Agency and the activity of the Village's Community Development Block Grant.

2. Fiduciary Fund Type

Trust and Agency Funds - used to account for funds held in trust and subsequent distributions, transmittal or release to other governments, individuals or to other funds.

1. Financial Statement Reporting Periods

The accompanying financial statements of the Village are presented as of May 31, 2018, and for the year then ended. The Elmira Heights Urban Renewal Agency's fiscal year end is June 30, 2018.

E. Property Taxes

Village real property taxes are levied annually no later than June 1 and become a lien on January 1. Taxes are collected during the period June 1st to no later than November 1st. Unpaid Village taxes are turned over to the county for enforcement. Any such taxes remaining unpaid at year end are relieved as county taxes in the subsequent year.

A. General Budget Policies

1. The Village employs the following budgetary procedures:

- a. No later than March 15, the budget office submits a tentative budget to the board of Trustees the fiscal year commencing the following June 1. The tentative budget includes proposed expenditures and the proposed means of financing them. The budget is prepared on a departmental basis.
- b. After public hearings are conducted to obtain taxpayer comments, but no later than May 20, the trustees adopt the annual budget.
- c. All revisions that alter appropriations of any department or fund must be approved by the trustees.
- d. Budgetary controls are established for the capital projects funds through resolutions authorizing individual projects.
- e. No budgets are approved for the special revenue fund.

VILLAGE OF ELMIRA HEIGHTS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
MAY 31, 2018

2. Budget basis of Accounting

Except as indicated below, budgets are adopted annually on a basis consistent with the modified cash basis of accounting.

Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year, if any.

Budgetary control for the special grant fund is established in accordance with the applicable grant agreement which covers a period other than the Village's fiscal year.

G. Inventories

Inventories of materials and supplies are determined by physical counts. Inventories are valued at cost on the first-in first-out basis.

A. Compensatory Absences

Compensated vacation and sick leave absences are recorded as expenditures and as a liability in governmental funds as funds are accumulated. The government wide financial statements present the cost of accumulated vacation and sick leave as a liability. The liability for compensated absences decreased by \$43,062 to \$164,548 at year end.

B. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Purchased and constructed capital assets are valued at historical cost or estimated historical cost. Donated fixed assets are recorded at their fair market value at the date of donation.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements. Capital assets of the primary and the component units are depreciated on the straight-line method over the assets' estimated useful life. There is no depreciation recorded for land and construction in progress.

VILLAGE OF ELMIRA HEIGHTS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
MAY 31, 2018

J. Post Employment Benefits

In addition to providing pension benefits

, the Village provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the Village's employees become eligible for these benefits if they reach normal retirement age while working for the Village. The Village recognizes the cost of providing benefits by recording its share of insurance premiums as expenditures in the year paid. Note that the Village has not adopted the provisions of Governmental Accounting Standards Board's Statement Number 45, "Accounting and Reporting by Employers' for Post Retirement Benefits Other Than Pensions".

B. Subsequent Events

The Village has conducted an evaluation of potential subsequent events occurring after the statement of net assets date through November 7, 2018, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

Note 2 - Departure From Generally Accepted Accounting Principles

The Village's financial statements do not include the provisions of Governmental Accounting Standards Board's Statement Number 45, "Accounting and Reporting by Employers' for Post Retirement Benefits Other Than Pensions". Such statement requires the reporting of a liability and annual expenses related to the costs of retirees' health insurance benefits similar to the method used to record pensions. The statement of net assets and the statement of activity for governmental activities do not include these provisions. The effect on the financial statements for the liability and associated expenses is not reasonably determinable.

VILLAGE OF ELMIRA HEIGHTS
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
MAY 31, 2018

Note 3 - Detail Notes on All Funds

A. Assets

1. Cash and Credit Risk

The Village's investment policies are governed by state statutes. The Village's monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The Village is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities. The Village's investment policy is in accordance with NYS statutes.

Collateral is required for demand deposits and certificates of deposit at 105 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United State and its agencies and obligations of the State and its municipalities and school districts.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the federal government. Underlying securities must have a market value of at least 105 percent of the cost of the repurchase agreement.

Deposits and investments at year-end were entirely covered by federal depository insurance or by collateral held by the Village's custodial bank in the Village's name. They consisted of:

Deposits. All deposits including certificates of deposit are carried at cost.

Fund	Bank Balance	Carrying Amount	
General	250,000	250,000	Insured
Trust & Agency	6,851	10,000	Collateral Held
General	590,998	886,619	Collateral Held
Special Revenue	250,000	250,000	Insured (FDIC)
Special Revenue	181,920	195,000	Collateral Held

2. Restricted Cash

Restricted cash in the general fund of \$184,639 is restricted for repair reserves and capital reserves.

VILLAGE OF ELMIRA HEIGHTS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
MAY 31, 2018

3. Account Receivable

The Village participates in a variety of federal and state programs that enable it to receive grants to partially or fully finance activities of the Village which include issuing economic loans. The amounts due from businesses as of June 30, 2018 are summarized below:

Economic Loans	\$ 37,699
Less: Allowance for Uncollectables	<u>6,997</u>
Net Notes Receivable	<u>\$ 30,702</u>

During the year ended June 30, 2018, none of the loans were written off by the agency as uncollectable. The current portion of the notes receivable is \$15,935.

1. Capital Assets

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

Beginning	Balance of Year	Net Additions (Disposals)	Balance End of Year
<u>Governmental activities</u>			
Nondepreciable assets:			
Land	\$ 22,000	\$	\$ 22,000
Construction in progress	-0-		-0-
Total nondepreciable assets	22,000		22,000
Depreciable assets:			
Buildings and improvements	1,785,299		1,785,299
Machinery and equipment	2,607,808		2,607,808
Infrastructure	236,369		236,369
Total depreciable assets	4,629,476		4,629,476
Less accumulated depreciation:			
Buildings and improvements	1,737,441	9,104	1,746,545
Equipment	1,930,673	86,719	2,017,392
Infrastructure	158,780	25,816	184,596
Total accumulated depreciation	3,826,894	121,639	3,948,533
Governmental activities capital assets, net	\$ 824,582	\$(121,639)	\$ 702,943

Current period depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
General government support	\$ 4,527
Public safety	101,355
Transportation	12,182
Culture and recreation	<u>3,575</u>
Total depreciation expense governmental activities	<u>\$121,639</u>

VILLAGE OF ELMIRA HEIGHTS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
MAY 31, 2018

B. Liabilities

1. Pension Plans

Plan Description - The Village participates in the New York State and Local Employees' Retirement System (ERS) and the New York State Police and Fire Employees' Retirement System (PFRS). These are cost sharing multiple employer retirement systems. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in NYRSSL, the comptroller of the State of New York serves as sole trustee and administrative head of the Systems. The comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

Funding Policy - The Systems are noncontributory for employees who joined the Systems on or before July 27, 1976. Employees who joined the after July 27, 1976 and prior to January 1, 2010, contribute 3% of their salary for the first ten years of membership. Employees who joined after January 1, 2010 and prior to April 1, 2012, contribute 3% of their salary throughout their active membership. For employees who joined after April 1, 2012, contribute 3% of their salary until April 1, 2013 and then contribute 3%-6% of their salary throughout their active membership. Under the authority of the NYRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required for each year. The required contributions for the current and preceding years were:

2018	\$ 184,746
2017	191,366
2016	221,432
2015	282,820

VILLAGE OF ELMIRA HEIGHTS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
MAY 31, 2018

Since 2003, the System's billings have been based on Chapter 49 of the laws of 2003. The legislation established a required 4.5% minimum payment. If the valuation process produces a lower rate, the retirement system will bill at 4.5% and if it provides for a higher rate it will bill at the higher rate. Rates are determined based upon the value of the pension fund as of the prior April 1.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At May 31, 2018, the Village reported a net pension liability of \$200,255 for its proportionate share of the NYSERS and NYSPFRS for its activities. 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 actuarial valuation as of that date. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of the contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

For the year ended May 31, 2018, the Village recognized pension expense of \$35,312 and \$165,158 for the NYSERS and NYSPFRS respectively. At May 31, 2018, the Village reported deferred outflows/inflows of resources to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between actual and expected experience	\$ 80,899	\$ 54,018
Net difference between projected and actual earnings on investments	179,926	360,748
Changes in proportion and differences between the Village's contribution and proportionate share of contributions	<u>168,994</u>	<u>29,426</u>
Total	<u>\$429,819</u>	<u>\$ 444,192</u>

VILLAGE OF ELMIRA HEIGHTS
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
MAY 31, 2018

Amounts reported as deferred outflows of resources and deferred inflows of resources relating to pension expense for governmental activities are:

Plan Year Ended March 31:	
2019	\$ 36,469
2020	34,389
2021	(62,516)
2021	(36,185)
2022	<u>6,521</u>
	<u>\$ (21,322)</u>

Actuarial Assumptions

The total pension liability at March 31, 2018, was determined by using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the pension liability to March 31, 2018. The total pension liability for the March 31, 2015 measurement date was determined by using an actuarial valuation as of April 1, 2016.

The actuarial valuation used the following actuarial assumptions for the NYSERS:

Actuarial cost method	Entry Age Normal
Inflation	2.70%
Salary scale	4.9% indexed by service
Projected COLAs	1.4% compounded annually
Decrement	Developed from the Plan's 2010 experience study
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.5%

VILLAGE OF ELMIRA HEIGHTS
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
MAY 31, 2018

Long-term Rate of Return

The long-term expected rate of return on pension plan investment was determined in accordance with Actuarial Standard of practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expect future real rates of return for equities and fixed income as well as historical investment data and plan performance.

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. Based upon the assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefits 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 presents the Village's share of the net pension liability calculated using the discount rate of 7.0% as well as what the Village's proportionate share of net pension liability would be if it were calculated using a discount rate that is 1% lower (6.0% or 1% higher (8.0%) than the current rate.

	<u>Proportionate Share Of net pension liability</u>
1% Decrease 6.0%	\$ 1,054,937
Current 7.0%	\$ 200,255
1% Increase 8.0%	\$ (517,934)

VILLAGE OF ELMIRA HEIGHTS
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
MAY 31, 2018

2. Deferred Revenues

In the special revenue fund deferred revenues consist of notes receivable not available to pay current liabilities at year end of \$30,703.

1. Long Term Debt

Changes in long term debt for the year ended May 31, 2018 are as follows:

Balance May 31, 2017	\$ 665,000
Principal Paid	(61,918)
New Debt Issued	---
Balance May 31, 2018	\$ 603,082

Outstanding debt at May 31, 2016 is as follows:

Description	Date	Interest	Original Amount	Outstanding May 31, 2017
Public Imp. Bond	6/15/08	4.375%	840,000	\$ 555,000
Statutory Inst. Bond	6/6/08	3.65%	100,000	10,000
Lease Purchase	6/16/16	3.19%	72,375	38,082
Total				\$ 603,082

The following table summarizes the Village's future debt service requirement as of May 31, 2018:

Year Ending	<u>Principal</u>	<u>Interest</u>
2019	\$62,298	\$27,302
2020	57,690	24,886
2021	58,094	22,621
2022	45,000	20,234
2023	45,000	18,266
2024-28	275,000	59,164
2029	60,000	1,425

C. Fund Equity

Restriction of Fund Balances - General Fund

Fund balances are restricted for specific purposes at year end. The following are the specific restrictions at year end:

Repair Reserve	68,508
Capital Reserve - Buildings	36,297
Capital Reserve - Equipment	39,233
Capital Reserve - Streets	30,099
	10,502
Total Restricted Fund Balances	\$ 184,639

VILLAGE OF ELMIRA HEIGHTS
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
MAY 31 2018

Note 5 - Contingencies

The Village is the defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, the opinion of the Village's counsel that resolution of these matters will not have a material effect of the financial condition of the Village.

The Village also has federal grants in excess of \$360,000 which are subject to audit by the awarding agencies. They also are required to comply with applicable federal rules and regulations. Any noncompliance could result in questioned costs.

Variance With	
<u>Final Budget</u>	
\$	---
	222
	15,050
	(4,740)
	2,743
	45
	(713)
	(98)
	3,140
	(8,762)
	(4,800)
	<u>23,081</u>
	25,168
	11,779
	18,255
	(25,757)
	13,289
	(8,824)
	165,624
	<u>2</u>
	<u>174,368</u>
\$	<u><u>199,536</u></u>

VILLAGE OF ELMIRA HEIGHTS
 SCHEDULE OF CONTRIBUTIONS - PENSION PLANS
 FOR THE YEAR ENDED MAY 31, 2018

NEW YORK STATE EMPLOYEE'S RETIREMENT PLAN

	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 38,720	\$ 32,696
Contributions made	<u>37,720</u>	<u>32,696</u>
Contribution deficiency	<u>\$ -0-</u>	<u>\$ -0-</u>

NEW YORK STATE POLICE AND FIRE
 RETIREMENT PLAN

Contractually required contribution	\$ 152,646	\$ 150,770
Contribution made	<u>152,646</u>	<u>150,770</u>
Contribution deficiency	<u>\$ -0-</u>	<u>\$ -0-</u>

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION
 LIABILITY FRO THE YEAR ENDED MAY 31, 2017 2018

NEW YORK STATE EMPLOYEES' RETIREMENT PLAN

Proportion of the net pension liability	.0009253%	.0008598%
Proportionate share of the net pension liability	\$ 86,942	\$ 27,749
Covered Employees	271,566	248,589
Proportionate share as a percentage	32%	11%

NEW YORK STATE POLICE AND FIRE
 RETIREMENT PLAN

Proportion of the net pension liability	.0175228%	.0170670%
Proportionate share of the net Pension liability	\$363,187	\$172,506
Covered-Employees	716,519	653,599
Proportionate share as a percentage	51%	26%

Note: Information for the periods prior to the implementation of GASB 68 is unavailable and will be completed for each year going forward.

VILLAGE OF ELMIRA HEIGHTS
 COMBINING BALANCE SHEET-SPECIAL REVENUE FUND
JUNE 30, 2018

<u>ASSETS</u>	<u>SECTION EIGHT</u>	<u>REVOLVING LOAN</u>	<u>TOTAL SPECIAL REVENUE</u>
Cash	\$ 8,163	\$ 423,757	\$ 431,920
Other Receivables	<u> </u>	<u>30,703</u>	<u>30,703</u>
<u>TOTAL ASSETS</u>	<u>\$ 8,163</u>	<u>\$ 454,460</u>	<u>\$ 462,623</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts Payable	\$	\$	\$
Deferred Revenue	<u> </u>	<u>30,703</u>	<u>30,703</u>
Total Liabilities	<u> </u>	<u>30,703</u>	<u>30,703</u>
 <u>Fund Balances</u>			
Restricted	8,163	423,757	431,920
Assigned			
Unassigned			
Total Fund Balances	<u>8,163</u>	<u>423,757</u>	<u>431,920</u>
 <u>TOTAL LIABILITIES AND</u>			
<u>FUND BALANCES</u>	<u>\$ 8,163</u>	<u>\$ 454,460</u>	<u>\$ 462,623</u>

See Independent Auditor's Report.

VILLAGE OF ELMIRA HEIGHTS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	SECTION EIGHT	REVOLVING LOAN	TOTAL SPECIAL REVNEUE
<u>REVENUES</u>			
Use of Money	\$	\$ 19,883	\$ 19,883
Miscellaneous Local Sources			
State Aid			
Federal Aid	<u>341,646</u>	_____	<u>341,646</u>
Total Revenues	341,646	19,883	361,529
<u>EXPENDITURES</u>			
General Government Support	47,661	8,984	56,645
Economic Assistance			
And Opportunity	<u>299,210</u>	_____	<u>299,210</u>
Total Expenditures	346,871	8,984	355,855
Revenue Over (Under)			
Expenditures	(5,225)	10,899	5,674
Fund Balance,			
Beginning of Year	<u>13,388</u>	<u>412,858</u>	<u>426,246</u>
<u>FUND BALANCE,</u>			
<u>END OF YEAR</u>	<u>\$ 8,163</u>	<u>\$ 423,757</u>	<u>\$ 431,920</u>

See Independent Auditor's Report.