

Village of Spring Valley, New York

Financial Statements and
Supplementary Information

Year Ended May 31, 2018

Village of Spring Valley, New York

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Independent Auditors' Report

**The Honorable Mayor and Board of Trustees
of the Village of Spring Valley, New York**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Village of Spring Valley, New York ("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.

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit for the year ended May 31, 2018 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* for the year ended May 31, 2018 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards 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 for the year ended May 31, 2018 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended May 31, 2018.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Village as of and for the year ended May 31, 2017 (not presented herein), and have issued our report thereon dated November 13, 2019, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. The combining and individual fund financial statements and schedules for the year ended May 31, 2017 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and

relate directly to the underlying accounting and other records used to prepare the 2017 financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2017 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended May 31, 2017.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2021 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP
PKF O'Connor Davies, LLP
Harrison, New York
March 2, 2021

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Village of Spring Valley, New York

Management's Discussion and Analysis (MD&A)
May 31, 2018

Introduction

This discussion and analysis of the Village of Spring Valley, New York's ("Village") financial statements provides an overview of the financial activities of the Village of Spring Valley for the fiscal year ended May 31, 2018. Please read it in conjunction with the basic financial statements and the accompanying notes to those statements that follow this section, to enhance understanding of the Village's financial performance.

Financial Highlights for Fiscal Year 2018

- For the year ended May 31, 2018, the Village implemented the provisions of the Governmental Accounting Standards Board ("GASB") Statement No. 68, "*Accounting and Financial Reporting for Pensions*". This pronouncement established new accounting and financial reporting requirements associated with the Village's participation in the cost sharing multiple employer pension plans administered by the New York State and Local Employees' Retirement System ("ERS") and the New York State and Local Police and Fire Retirement System ("PFRS"). Under the new standards, cost-sharing employers are required to report in the government-wide financial statements a net pension liability (asset), pension expense and pension-related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all of the municipalities and school districts in the plan. At May 31, 2018, the Village reported in its Statement of Net Position a liability of \$2,510,033 for its proportionate share of the ERS and PFRS net pension liabilities. More detailed information about the Village's pension plan reporting in accordance with the provisions of GASB Statement No. 68, including amounts reported as pension expense and deferred inflows/outflows of resources, is presented in the notes to the financial statements.
- On the government-wide financial statements, the liabilities and deferred inflows of resources of the Village exceeded its assets and deferred outflows of resources at the close of fiscal year 2018 resulting in a deficit of \$18,045,342. Of this amount, the unrestricted net position is a deficit of \$36,312,105. This deficit is primarily due to the recognition of the other post-employment benefit ("OPEB") obligations as required under the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 45. The GASB is charged with developing the accounting rules that apply to governments. These liabilities include any benefits provided to retirees, other than a pension, including health insurance, life insurance, vision, dental, etc. GASB Statement No. 45 establishes standards for accrual based measurement and recognition of OPEB expenses over periods that approximate employees' years of active service, as well as the required note disclosures. For the year ending May 31, 2018, the Village's OPEB obligation of \$31,988,629 is reflected as a liability on the entity-wide financial statements, and accordingly was the prime factor in the decrease in total net position.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$7,423,605, a decrease of \$6,468,530, from fiscal year 2017. Exclusive of the Capital Projects Fund, the combined ending fund balances were \$10,687,720.

- At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,912,484 or 16% of total General Fund expenditures and other financing uses. The General Fund reported an ending fund balance of \$9,229,589, which represents a decrease of \$3,740,821 from fiscal year 2017.
- The Village's total outstanding general obligation bonds payable at May 31, 2018 totaled \$12,500,000, exclusive of issuance premiums of \$94,789. The amount due within one year is \$1,775,000.

Overview of the Financial Statements

The Village's financial statements are comprised of this Management's Discussion and Analysis ("MD&A") and the basic financial statements. This discussion and analysis serves as an introduction to the basic financial statements. The MD&A provides an analysis and overview of the Village's financial activities. The basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also includes other supplementary information as listed in the table of contents.

Government-wide Financial Statements

The **Government-Wide Financial Statements** are presented in a manner similar to private-sector business financial statements. The statements are prepared using the accrual basis of accounting. The government-wide financial statements include two statements: the Statement of Net Position and the Statement of Activities. Fiduciary activities, whose resources are not available to the Village's programs, are excluded from these statements.

The **Statement of Net Position** presents the Village's total assets, liabilities and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in the net position may serve as a useful indicator as to whether the financial position of the Village is improving or deteriorating.

The **Statement of Activities** presents information showing the change in the Village's net position during the current fiscal year. All revenues and expenses are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods such as uncollected taxes, certain retirement costs and earned but unused vacation and sick leave. The focus of this statement is on the net cost of providing various services to the citizens of the Village.

The governmental activities of the Village include general government support, public safety, health, transportation, economic opportunity and development, culture and recreation, home and community services and interest.

Fund Financial Statements

A fund is an accounting entity with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances/net position, revenues, and expenditures. Government resources are allocated to and accounted for in an individual fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Most of the basic services provided by the Village are financed and accounted for through governmental funds. Governmental fund financial statements focus on current inflows and outflows of spendable resources as well as the available balances of these resources at the end of the fiscal year. This information is useful in determining the Village's financing requirements for the subsequent fiscal period. Governmental funds use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. From this comparison, readers may better understand the long-term impact of the Village's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village of Spring Valley has six (6) individual governmental funds: General, Section 8 - Housing Assistance, Capital Projects, Debt Service, Community Development and Special Purpose funds. Of these, the General, Section 8 - Housing Assistance, Capital Projects and Debt Service funds are reported as major funds, and are presented in separate columns on the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for these non-major funds can be found in *combining statements* elsewhere in this report.

The Village adopts an annual budget for its General and Debt Service funds. A budgetary comparison statement has been provided for the General Fund within the basic financial statements, to demonstrate compliance with the budget.

Fiduciary Funds

These funds are used to account for resources held for the benefit of parties outside the government. The fiduciary funds are *not* reflected in the government-wide financial statements because the assets of these funds are *not* available to support the activities of the Village. The Village maintains one type of fiduciary funds, the Agency Fund. Resources are held in the Agency Fund by the Village purely in a custodial capacity. The activity in this fund is limited to the receipt, temporary investment, and remittance of resources to the appropriate individual, organization or government. The Pension Trust Fund previously was recorded in the Agency fund. The Village implemented the provisions of GASB Statement No. 73.

The financial statements for the Fiduciary Fund can be found in the basic financial statements section of this report.

Notes to Financial Statement

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found following the basic financial statements section of this report.

Other Information

Additional statements and schedules can be found immediately following the notes to the financial statements. These include required supplementary information for the Pension Trust Fund, combining statements for the non-major governmental funds and schedules of budget to actual comparisons.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Village's financial position. In the case of the Village of Spring Valley, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$18,045,342 resulting in a deficit at the close of the most recent fiscal year.

The following table reflects the condensed Statement of Net Position:

Statement of Net Position

	May 31,	
	2018	2017
Current Assets	\$ 10,640,476	\$ 15,921,401
Capital Assets, net	<u>23,380,517</u>	<u>22,722,764</u>
Total Assets	<u>34,020,993</u>	<u>38,644,165</u>
Deferred Outflows of Resources	<u>5,998,712</u>	<u>4,723,861</u>
Current Liabilities	3,399,543	2,229,770
Long-Term Liabilities	<u>49,113,278</u>	<u>50,419,031</u>
Total Liabilities	<u>52,512,821</u>	<u>52,648,801</u>
Deferred Inflows of Resources	<u>5,552,226</u>	<u>1,233,072</u>
Net Position		
Net Investment in Capital Assets	12,945,131	12,945,131
Restricted	5,321,632	5,057,994
Unrestricted	<u>(36,312,105)</u>	<u>(28,516,972)</u>
Total Net Position	<u>\$ (18,045,342)</u>	<u>\$ (10,513,847)</u>

The largest component of the Village's net position is its net investment in capital assets of \$12,945,131 which reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to its citizens and consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted net position of \$5,321,632 represent resources that are subject to external restrictions on their use. The restrictions are:

	May 31,	
	<u>2018</u>	<u>2017</u>
Retirement Contributions	\$ 990,896	\$ 988,918
Debt Service	1,277,508	1,318,681
Pension Benefits	2,189,523	2,063,835
Special Revenue Funds	<u>863,705</u>	<u>686,560</u>
Restricted Net Position	<u>\$ 5,321,632</u>	<u>\$ 5,057,994</u>

The remaining balance is an unrestricted net deficit of \$36,312,105.

Change in Net Position

	2018	2017
REVENUES		
Program Revenues		
Charges for Services	\$ 1,884,779	\$ 1,462,703
Operating Grants and Contributions	8,953,414	9,943,698
Capital Grants and Contributions	26,633	283,135
Total Program Revenues	10,864,826	11,689,536
General Revenues		
Real Property Taxes	20,547,821	24,073,215
Other Tax Items	300,632	495,202
Non-Property Taxes	1,781,093	1,899,260
Unrestricted Use of Money and Property	100,149	169,059
Sale of Property and Compensation for Loss	17,000	2,221
Unrestricted State Aid	662,381	638,608
Miscellaneous	35,133	53,110
Insurance Recoveries	211,747	215,160
Total General Revenues	23,655,956	27,545,835
Total Revenues	34,520,782	39,235,371
PROGRAM EXPENSES		
General Government Support	7,244,457	7,798,873
Public Safety	20,221,111	20,102,215
Health	2,432	1,274
Transportation	5,398,245	5,128,812
Economic Opportunity and Development	7,994,773	8,543,058
Culture and Recreation	502,918	465,975
Home and Community Services	184,297	338,554
Interest	504,044	484,326
Total Expenses	42,052,277	42,863,087
Change in Net Position	(7,531,495)	(3,627,716)
NET POSITION		
Beginning, as reported	(10,513,847)	(8,736,192)
Cumulative Effect of Change in Accounting Principal	-	1,850,061
Beginning, as restated	(10,513,847)	(6,886,131)
Ending	\$ (18,045,342)	\$ (10,513,847)

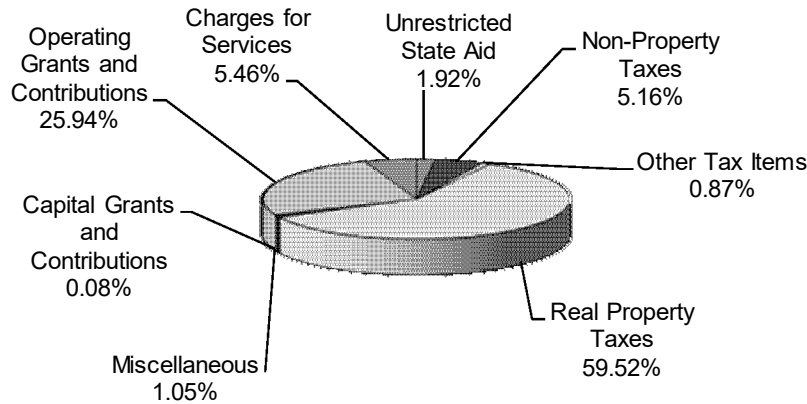
Governmental Activities

The Village's net position decreased by \$7,531,495.

For the fiscal year ended May 31, 2018, revenues from governmental activities totaled \$34,520,782. 34% of this revenue was program revenue and 66% came from taxes and other sources. The more significant changes are as follows:

- Charges for Services increased by \$422,076.
- Grants and contributions decreased by \$ 990,284.
- Real property tax revenues decreased by \$3,525,394.

**Sources of Revenue for Fiscal Year 2018
Governmental Activities**



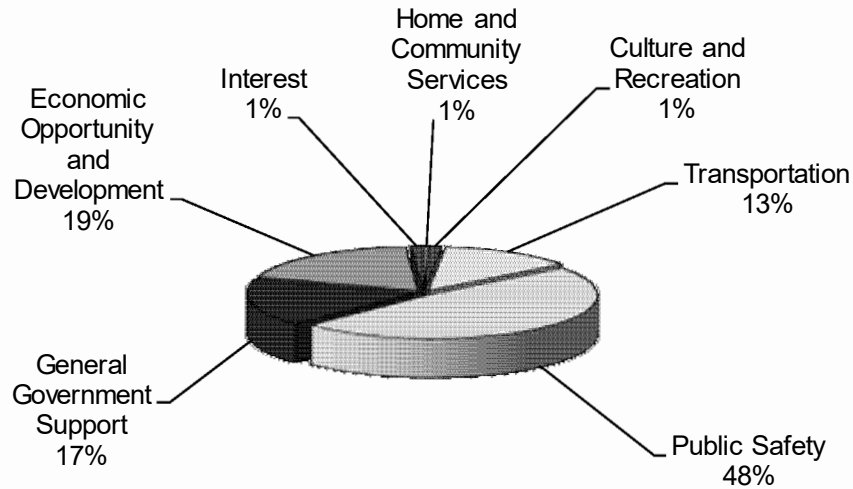
Total expenses for governmental activities were \$42,052,277.

For the year ending May 31, 2018, the Village's OPEB obligations of \$31,988,629 are reflected as a liability on the government-wide financial statements and increased in 2018 by \$3,700,367 and accordingly was the prime factor in the decrease in total net position. This was primarily the result of GASB Statement No. 45 that requires recognition of OPEB expenses. The functions were charged as follows:

<u>Functions</u>	
Governmental Activities:	
General government support	\$ 508,475
Public safety	2,682,132
Health	315
Transportation	493,707
Culture and recreation	<u>15,738</u>
 Total OPEB Increase	 <u><u>\$ 3,700,367</u></u>

The largest components of governmental activities' expenses are public safety (\$20,102,215, 47% in 2017 and \$20,221,111, 48% in 2018), general government support (\$7,798,873, 18% in 2017 and \$7,244,457, 17% in 2018) and economic opportunity and development (\$8,543,058, 20% in 2017 and \$7,994,773, 19% in 2018).

Expenses for Fiscal Year 2018 Governmental Activities



Financial Analysis of the Government's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fund Balance Reporting

GASB issued Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", in February 2009. The requirements of GASB Statement No. 54 became effective for financial statements for the fiscal period ending June 30, 2011. Statement No. 54 abandons the reserved and unreserved classifications of fund balance and replaces them with five new classifications: non-spendable, restricted, committed, assigned and unassigned. An explanation of these classifications follows below.

Non-spendable – consists of assets that are inherently non-spendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale and principal of endowments.

Restricted – consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed – consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year and that require the same level of formal action to remove the constraint.

Assigned – consists of amounts that are subject to a purpose constraint that represents an intended use established by the government’s highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

Unassigned – represents the residual classification for the government’s General Fund and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

According to GASB, these changes were made to bring greater clarity and consistency to fund balance reporting.

Governmental Funds

The focus of the Village’s *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Village’s financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village’s governmental funds reported a combined ending fund balance of \$7,423,605, a decrease of \$6,468,530 over the prior year. Of the total combined fund balance, \$1,444,808 constitutes unassigned fund balance. Of the Assigned Fund Balance, \$150,000 has been earmarked for subsequent year’s expenditures and represents the amount estimated for use in the 2018-2019 budget. The remainder of the fund balance is Restricted (\$990,896 Retirement Contributions, \$1,277,508 Debt Service, \$2,189,523 for Pension Benefits, \$845,220 for Section 8 Fund and \$18,485 for Community Development Fund).

The General Fund is the primary operating fund of the Village. At the end of the current fiscal year, the total fund balance of the General Fund was \$9,229,589. Unassigned fund balance of \$4,912,484 represents 16% of the total General Fund expenditures and other financing uses, while total fund balance represents 31% of that same amount.

The Capital Projects fund reflects a fund deficit of \$3,444,115 at the end of the current fiscal year, a decrease in the deficit of \$2,858,707 from the prior year. This is a result of incurring expenditures for projects where financing sources have not yet been received from capital debt issuances or other sources netted against the issuance of \$3,630,000 of general obligation bonds. No general obligation bonds were issued during the 2017/2018 fiscal year.

General Fund Budgetary Highlights

When the fiscal 2018 budget was adopted, it anticipated the use of \$143,332 of fund balance. Actual results of operations resulted in a decrease of \$3,740,821 to fund balance. Overall, General Fund expenditures and other Financing uses were \$30,119,795, which were more than the final budget by \$10,926. Expenditure shortfalls were observed throughout the budget, however, the expenditures related to court ordered refunds of real property taxes and hospital and medical benefits were the largest with expenditures exceeding the budget by \$489,927 and \$683,648, respectively.

The budget for Property Taxes was \$24,568,489. Due to a change in the application of the property tax equalization rate, the Village collected \$21,224,325, a difference of \$3,344,164. During the 2017/2018 fiscal year the Village Assessor vacated his position and property assessments were turned over to the Town of Ramapo and the Town of Clarkstown. This resulted in an increase in assessed value and an

increase in taxes for many homeowners. In the interest of fairness, the Village Board of Trustees passed a resolution to return a portion of the tax increase to homeowners who met certain criteria. The Village returned \$676,504 to homeowners. The Property Tax Revenue reported for 2017/2018 was \$20,547,821.

Capital Asset and Debt Administration

Capital Assets

The Village's investment in capital assets for its governmental activities as of May 31, 2018, amounted to \$23,380,517 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment and construction-in-progress.

Capital Assets (Net of Depreciation)

	May 31,	
	2018	2017
Land	\$ 2,681,662	\$ 2,681,662
Construction-in-progress	427,890	427,890
Infrastructure	4,092,608	5,120,020
Buildings and improvements	15,435,185	13,822,658
Machinery and equipment	743,172	670,534
Total	\$ 23,380,517	\$ 22,722,764

Capital asset activity during the current fiscal year continued in the: Park Construction Project, Urban Revitalization and Upgrading of Fire Equipment.

Additional information on the Village's capital assets can be found in Note 3, in the notes to the financial statements.

Long-term Debt

At the end of the current fiscal year, the Village had total debt outstanding of \$12,500,000, comprised entirely of general obligation bonded debt. This is exclusive of any issuance premiums. All debt is backed by the full faith and credit of the Village of Spring Valley.

Additional information on the Village's long-term debt can be found in Note 3 of this report.

Requests for Information

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Arlene Karger, Village Treasurer, Village of Spring Valley, 200 N. Main Street, Spring Valley, New York 10977.

Village of Spring Valley, New York

Statement of Net Position
May 31, 2018

	Governmental Activities
ASSETS	
Cash and equivalents	\$ 7,186,334
Investments	2,113,039
Receivables	
Accounts	513,816
State and Federal aid	44,321
Due from other governments	774,226
Prepaid expenses	8,740
Capital assets (net of accumulated depreciation)	
Not being depreciated	3,109,552
Being depreciated, net	20,270,965
	34,020,993
Total Assets	
	5,998,712
DEFERRED OUTFLOWS OF RESOURCES	
LIABILITIES	
Accounts payable	1,642,091
Accrued liabilities	767,685
Due to other governments	380,687
Due to retirement systems	380,610
Unearned revenues	45,798
Accrued interest payable	182,672
Non-current liabilities	
Due within one year	2,294,819
Due in more than one year	46,818,459
	52,512,821
Total Liabilities	
	5,552,226
DEFERRED INFLOWS OF RESOURCES	
NET POSITION	
Net investment in capital assets	12,945,131
Restricted	
Retirement contributions	990,896
Debt service	1,277,508
Pension benefits	2,189,523
Special Revenue Funds	
Section 8 - Housing Assistance Fund	845,220
Community Development Fund	18,485
Unrestricted	(36,312,105)
	(18,045,342)
Total Net Position	\$ (18,045,342)

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

Village of Spring Valley, New York

Statement of Activities
Year Ended May 31, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government support	\$ 7,244,457	\$ 221,283	\$ 3,053	\$ -
Public safety	20,221,111	620,593	632,249	-
Health	2,432	-	-	-
Transportation	5,398,245	43,324	-	-
Economic opportunity and development	7,994,773	-	8,301,363	-
Culture and recreation	502,918	280	16,749	-
Home and community services	184,297	999,299	-	-
Interest	504,044	-	-	26,633
Total Governmental Activities	\$ 42,052,277	\$ 1,884,779	\$ 8,953,414	\$ 26,633

General revenues

- Real property taxes
- Other tax items
 - Payments in lieu of taxes
 - Interest and penalties on real property taxes
- Non-property taxes
 - Franchise fees
 - Non-property tax distribution from County
 - Utilities gross receipts taxes
- Unrestricted use of money and property
- Sale of property and compensation for loss
- Unrestricted State aid
- Miscellaneous
- Insurance recoveries

Total General Revenues

Change in Net Position

NET POSITION

Beginning

Ending

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

<u>Net (Expense)</u>	
<u>Revenue and</u>	
<u>Changes in</u>	
<u>Net Position</u>	
\$	(7,020,121)
	(18,968,269)
	(2,432)
	(5,354,921)
	306,590
	(485,889)
	815,002
	<u>(477,411)</u>
	<u>(31,187,451)</u>
	20,547,821
	300,554
	78
	204,012
	1,295,990
	281,091
	100,149
	17,000
	662,381
	35,133
	<u>211,747</u>
	<u>23,655,956</u>
	<u>(7,531,495)</u>
	<u>(10,513,847)</u>
\$	<u><u>(18,045,342)</u></u>

Village of Spring Valley, New York

Balance Sheet
 Governmental Funds
 May 31, 2018

	General	Section 8 - Housing Assistance	Capital Projects
ASSETS			
Cash and equivalents	\$ 5,306,781	\$ 1,275,558	\$ 525,777
Investments	2,110,052	-	2,987
Receivables			
Accounts	506,858	6,294	-
State and Federal aid	44,321	-	-
Due from other governments	771,810	2,416	-
Due from other funds	6,260,042	-	6,488,889
	<u>7,583,031</u>	<u>8,710</u>	<u>6,488,889</u>
Prepaid expenditures	8,740	-	-
Total Assets	<u>\$ 15,008,604</u>	<u>\$ 1,284,268</u>	<u>\$ 7,017,653</u>
LIABILITIES AND FUND BALANCES (DEFICITS)			
Liabilities			
Accounts payable	\$ 1,579,743	\$ 58,361	\$ 428
Accrued liabilities	767,685	-	-
Due to other governments	-	380,687	-
Due to other funds	3,050,977	-	10,461,340
Due to retirement systems	380,610	-	-
Unearned revenues	-	-	-
Total Liabilities	<u>5,779,015</u>	<u>439,048</u>	<u>10,461,768</u>
Fund balances (deficits)			
Nonspendable	8,740	-	-
Restricted	3,659,940	845,220	-
Assigned	648,425	-	-
Unassigned	4,912,484	-	(3,444,115)
Total Fund Balances (Deficits)	<u>9,229,589</u>	<u>845,220</u>	<u>(3,444,115)</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 15,008,604</u>	<u>\$ 1,284,268</u>	<u>\$ 7,017,653</u>

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

Debt Service	Non-Major Governmental	Total Governmental Funds
\$ 28	\$ 78,190	\$ 7,186,334
-	-	2,113,039
-	664	513,816
-	-	44,321
-	-	774,226
797,959	-	13,546,890
797,959	664	14,879,253
-	-	8,740
<u>\$ 797,987</u>	<u>\$ 78,854</u>	<u>\$ 24,187,366</u>
\$ -	\$ 3,559	\$ 1,642,091
-	-	767,685
-	-	380,687
-	34,573	13,546,890
-	-	380,610
-	45,798	45,798
-	83,930	16,763,761
-	-	8,740
797,987	18,485	5,321,632
-	-	648,425
-	(23,561)	1,444,808
797,987	(5,076)	7,423,605
<u>\$ 797,987</u>	<u>\$ 78,854</u>	<u>\$ 24,187,366</u>

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Village of Spring Valley, New York

Reconciliation of Governmental Funds Balance Sheet to The Government-Wide Statement of Net Position May 31, 2018

Fund Balances - Total Governmental Funds	<u>\$ 7,423,605</u>
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>23,380,517</u>
Governmental funds do not report the effect of losses on refunding bonds and assets or liabilities related to net pension assets (liabilities) whereas these amounts are deferred and amortized in the statement of activities.	
Deferred amounts on net pension assets (liabilities)	424,241
Deferred amounts on refunding bonds	<u>22,245</u>
	<u>446,486</u>
Long-term and other liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued interest payable	(182,672)
Bonds payable	(12,594,789)
Net pension liability	(2,510,033)
Compensated absences	(1,360,647)
Claims payable	(659,180)
Other post employment benefit obligations payable	<u>(31,988,629)</u>
	<u>(49,295,950)</u>
Net Position of Governmental Activities	<u><u>\$ (18,045,342)</u></u>

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

Village of Spring Valley, New York

Statement of Revenues, Expenditures and
 Changes in Fund Balances
 Governmental Funds
 Year Ended May 31, 2018

	General	Section 8 - Housing Assistance	Capital Projects
REVENUES			
Real property taxes	\$ 20,547,821	\$ -	\$ -
Other tax items	300,632	-	-
Non-property taxes	1,781,093	-	-
Departmental income	515,186	-	-
Use of money and property	277,307	1,533	-
Licenses and permits	1,048,557	-	-
Fines and forfeitures	389,356	-	-
Sale of property and compensation for loss	17,000	-	-
State aid	1,160,537	-	25,676
Federal aid	16,702	8,088,672	-
Miscellaneous	36,932	86,006	-
	<u>26,091,123</u>	<u>8,176,211</u>	<u>25,676</u>
EXPENDITURES			
Current			
General government support	4,424,626	-	-
Public safety	10,238,361	-	-
Health	1,237	-	-
Transportation	2,279,326	-	-
Economic opportunity and development	-	7,994,773	-
Culture and recreation	432,845	-	-
Home and community services	126,643	-	-
Employee benefits	10,409,304	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Refunding bond issuance costs	-	-	-
Capital outlay	-	-	2,858,707
	<u>27,912,342</u>	<u>7,994,773</u>	<u>2,858,707</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,821,219)</u>	<u>181,438</u>	<u>(2,833,031)</u>
OTHER FINANCING SOURCES (USES)			
Bonds issued	-	-	-
Refunding bonds issued	-	-	-
Issuance premiums	-	-	-
Payment to refunded bond escrow agent	-	-	-
Insurance recoveries	211,747	-	-
Transfers in	67,807	-	-
Transfers out	(2,199,156)	-	(25,676)
	<u>(1,919,602)</u>	<u>-</u>	<u>(25,676)</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	<u>(3,740,821)</u>	<u>181,438</u>	<u>(2,858,707)</u>
FUND BALANCES (DEFICITS)			
Beginning of Year	<u>12,970,410</u>	<u>663,782</u>	<u>(585,408)</u>
End of Year	<u>\$ 9,229,589</u>	<u>\$ 845,220</u>	<u>\$ (3,444,115)</u>

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

Debt Service	Non-Major Governmental	Total Governmental Funds
\$ -	\$ -	\$ 20,547,821
-	-	300,632
-	-	1,781,093
-	-	515,186
-	-	278,840
-	-	1,048,557
-	-	389,356
-	-	17,000
-	-	1,186,213
-	-	8,105,374
-	16,025	138,963
-	16,025	34,309,035
-	-	4,424,626
-	-	10,238,361
-	-	1,237
-	-	2,279,326
-	-	7,994,773
-	18,967	451,812
-	5,368	132,011
-	-	10,409,304
1,664,000	-	1,664,000
535,155	-	535,155
-	-	-
-	-	2,858,707
2,199,155	24,335	40,989,312
(2,199,155)	(8,310)	(6,680,277)
-	-	-
-	-	-
-	-	-
-	-	211,747
2,224,831	-	2,292,638
(67,806)	-	(2,292,638)
2,157,025	-	211,747
(42,130)	(8,310)	(6,468,530)
840,117	3,234	13,892,135
\$ 797,987	\$ (5,076)	\$ 7,423,605

Village of Spring Valley, New York

Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended May 31, 2018

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Net Change in Fund Balances - Total Governmental Funds	<u>\$ (6,468,530)</u>
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay expenditures	2,558,250
Depreciation expense	<u>(1,900,497)</u>
	<u>657,753</u>
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities</p>	
Principal paid on bonds	1,664,000
Amortization of loss on refunding and issuance premium	<u>13,279</u>
	<u>1,677,279</u>
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Accrued interest	17,832
Pension obligations	(114,229)
Compensated absences	406,570
Claims payable	(7,803)
Other post employment benefit obligations	<u>(3,700,367)</u>
	<u>(3,397,997)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (7,531,495)</u></u>

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

Village of Spring Valley, New York

Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
Year Ended May 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Real property taxes	\$ 24,568,489	\$ 24,568,489	\$ 20,547,821	\$ (4,020,668)
Other tax items	453,615	453,615	300,632	(152,983)
Non-property taxes	1,770,000	1,770,000	1,781,093	11,093
Departmental income	707,160	707,160	515,186	(191,974)
Use of money and property	197,000	197,000	277,307	80,307
Licenses and permits	681,100	681,100	1,048,557	367,457
Fines and forfeitures	415,000	415,000	389,356	(25,644)
Sale of property and compensation for loss	1,000	1,000	17,000	16,000
State aid	659,417	659,417	1,160,537	501,120
Federal aid	180,000	180,000	16,702	(163,298)
Miscellaneous	32,000	32,000	36,932	4,932
Total Revenues	29,664,781	29,664,781	26,091,123	(3,573,658)
EXPENDITURES				
Current				
General government support	4,357,587	4,357,587	4,424,626	(67,039)
Public safety	10,886,992	10,886,992	10,238,361	648,631
Health	3,000	3,000	1,237	1,763
Transportation	2,154,430	2,154,430	2,279,326	(124,896)
Economic opportunity and development	47,000	47,000	-	47,000
Culture and recreation	685,660	685,660	432,845	252,815
Home and community services	100,610	100,610	126,643	(26,033)
Employee benefits	9,599,434	9,599,434	10,409,304	(809,870)
Total Expenditures	27,834,713	27,834,713	27,912,342	(77,629)
Excess of Revenues Over Expenditures	1,830,068	1,830,068	(1,821,219)	(3,651,287)
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	-	-	-
Insurance recoveries	125,000	125,000	211,747	86,747
Transfers in	-	-	67,807	67,807
Transfers out	(2,274,156)	(2,274,156)	(2,199,156)	75,000
Total Other Financing Uses	(2,149,156)	(2,149,156)	(1,919,602)	229,554
Net Change in Fund Balance	(319,088)	(319,088)	(3,740,821)	(3,421,733)
FUND BALANCE				
Beginning of Year	319,088	319,088	12,970,410	12,651,322
End of Year	\$ -	\$ -	\$ 9,229,589	\$ 9,229,589

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

Village of Spring Valley, New York

Statement of Assets and Liabilities

Fiduciary Fund

May 31, 2018

	<u>Agency</u>
ASSETS	
Cash and equivalents	\$ 1,072,919
Accounts receivable	<u>274,650</u>
Total Assets	<u>\$ 1,347,569</u>
LIABILITIES	
Accounts payable	\$ 327,748
Deposits	<u>1,019,821</u>
Total Liabilities	<u>\$ 1,347,569</u>

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

Village of Spring Valley, New York

Notes to Financial Statements

May 31, 2018

Note 1 - Summary of Significant Accounting Policies

The Village of Spring Valley, New York ("Village") was established in 1902 and operates in accordance with Village Law and the various other applicable laws of the State of New York. The Village Board of Trustees is the legislative body responsible for overall operation. The Mayor serves as the chief executive officer and the Village Treasurer serves as the chief financial officer. The Village provides the following services to its residents: public safety, health, transportation, economic opportunity and development, culture and recreation, home and community services and general and administrative support.

The accounting policies of the Village conform to generally accepted accounting principles as applicable to governmental units and the Uniform System of Accounts as prescribed by the State of New York. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Village's more significant accounting policies:

A. Financial Reporting Entity

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

In evaluating how to define the Village, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the Village's reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. Based upon the application of these criteria, there are no other entities which would be included in the financial statements.

The following organization is related to the Village:

The Spring Valley Housing Authority ("Authority") is a public benefit corporation created by State legislation to promote the development of adequate housing for citizens of the Village. The members of the Authority's board are appointed by the Village. The Authority does not impose a financial burden to the primary government since the Village is not obligated to guarantee the Authority's debt. The Authority does not provide services entirely or almost entirely to the Village.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the Village as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used.

The Statement of Net Position presents the financial position of the Village at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to

Village of Spring Valley, New York

Notes to Financial Statements (Continued)
May 31, 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The Village does not allocate indirect expenses to functions in the Statement of Activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Fund Financial Statements

The accounts of the Village are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The Village maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. Fiduciary funds are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation. The Village's resources are reflected in the fund financial statements in two broad fund categories, in accordance with generally accepted accounting principles as follows:

Fund Categories

- a. Governmental Funds - Governmental Funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the Village's major governmental funds:

General Fund - The General Fund constitutes the primary operating fund of the Village in that it includes all revenues and expenditures not required by law to be accounted for in other funds.

Special Revenue Funds - Special revenue funds are established to account for the proceeds of specific revenue sources that are legally restricted, committed or assigned to expenditures for certain defined purposes. The major special revenue fund of the Village is as follows -

Section 8 - Housing Assistance Fund - The Section 8 - Housing Assistance Fund is used to account for Federal aid received from the U.S. Department of Housing and Urban Development and used for

Village of Spring Valley, New York

Notes to Financial Statements (Continued)

May 31, 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

housing assistance payment purposes. A fiscal year end of June 30th is mandated for this program. The major revenue of this fund is Federal aid.

Capital Projects Fund - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

Debt Service Fund - The Debt Service Fund is provided to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest, and for financial resources that are being accumulated for principal and interest maturing in future years.

The Village also reports the following non-major governmental funds.

Special Revenue Funds

Community Development Fund - The Community Development Fund is used to account for projects financed primarily by entitlements from the U.S. Department of Housing and Urban Development.

Special Purpose Fund - The Special Purpose Fund is used to account for assets held by the Village in accordance with the terms of a trust agreement.

- b. Fiduciary Funds (Not Included in Government-Wide Statements) - Fiduciary Funds are used to account for assets held by the Village in an agency capacity on behalf of others. This includes the Agency Fund. The Agency Fund accounts for payroll tax withholdings, deposits that are payable to other jurisdictions or individuals.

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

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

The government-wide financial statements are 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. Revenues are recorded when earned and expenses are recorded when a 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as

Village of Spring Valley, New York

Notes to Financial Statements (Continued)

May 31, 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

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. Property taxes are considered to be available if collected within sixty days of the fiscal year end. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are recognized as revenue when the expenditure is made. A ninety day availability period is generally used for revenue recognition for most other governmental fund revenues. 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, certain claims, net pension liability and other post employment benefit obligations are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances

Cash and Equivalents, Investments and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and short-term investments with original maturities of less than three months from the date of acquisition.

The Village's deposits and investment policies are governed by State statutes. The Village has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The Village is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The Village has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Investments (except Length of Service Awards Program investments, which are discussed in Note 3D) - Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

The Village follows the provisions of GASB Statement No. 72, "*Fair Value Measurements and Application*", which defines fair value and establishes a fair value hierarchy organized into three levels based upon input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Village of Spring Valley, New York

Notes to Financial Statements (Continued)
May 31, 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

Risk Disclosure

Interest Rate Risk - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the Village does not invest in any long-term investment obligations.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. GASB Statement No. 40, *"Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3"* directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the Village's name. The Village's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at May 31, 2018.

Credit Risk - Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Village does not have a formal credit risk policy other than restrictions to obligations allowable under General Municipal Law of the State of New York.

Concentration of Credit Risk - Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The Village's investment policy limits the amount on deposit at each of its banking institutions.

Taxes Receivable - Property taxes attach as an enforceable lien on real property as of June 1st and are payable in June. The Village is responsible for the billing and collection of its taxes through November 1st of the tax year, at which time the responsibility for uncollected taxes is transferred to the County of Rockland, New York ("County"). On or about May 1st, the County remits to the Village the balance of all uncollected taxes. The County has the responsibility for conducting in-rem foreclosure proceedings.

Other Receivables - Other receivables include amounts due from other governments and individuals for services provided by the Village. Receivables are recorded and revenues recognized as earned or as specific program expenditures/expenses are incurred. Allowances are recorded when appropriate.

Due From/To Other Funds - During the course of its operations, the Village has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of May 31, 2018, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Village of Spring Valley, New York

Notes to Financial Statements (Continued)

May 31, 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

Inventories - There are no inventory values presented in the balance sheets of the respective funds of the Village. Purchases of inventoriable items at various locations are recorded as expenditures at the time of purchase and year-end balances at these locations are not material.

Prepaid Expenses/Expenditures - Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items using the consumption method in both the government-wide and fund financial statements. Prepaid expenses/expenditures consist of costs which have been satisfied prior to the end of the fiscal year, but represent items which have been provide for in the subsequent year's budget and/or will benefit such periods. Reported amounts in governmental funds are equally offset by a reservation of fund balance in the fund financial statements, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

Capital Assets - Capital assets, which include property, plant, equipment and infrastructure (i.e., roads, bridges and similar items) are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Land and construction-in-progress are not depreciated. Property, plant, equipment and infrastructure of the Village are depreciated using the straight line method over the following estimated useful lives.

<u>Class</u>	<u>Life In Years</u>
Infrastructure	20 - 50
Buildings and improvements	10 - 40
Machinery and equipment	3 - 8

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures on the governmental fund financial statements. Capital assets are not shown on the governmental fund balance sheet.

Unearned Revenues - Unearned revenues arise when assets are recognized before revenue recognition criteria has been satisfied. In government-wide financial statements, unearned revenues

Village of Spring Valley, New York

Notes to Financial Statements (Continued)
May 31, 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

consist of revenue received in advance and/or amounts from grants received before the eligibility requirements have been met.

Unearned revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The Village has reported unearned revenues of \$45,798 for amounts received in advance pursuant to grants in the Community Development Funds. Such amounts have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows and inflows of resources have been reported on the government-wide Statement of Net Position for the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
New York State and Local Employees' Retirement System	\$ 1,321,537	\$ 1,362,526
New York State and Local Police and Fire Retirement System	4,654,930	4,189,700
Loss on Refunding Bonds	<u>22,245</u>	<u>-</u>
	<u>\$ 5,998,712</u>	<u>\$ 5,552,226</u>

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expended as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as Capital Projects of Debt Service funds expenditures.

Village of Spring Valley, New York

Notes to Financial Statements (Continued)

May 31, 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences - The various collective bargaining agreements provide for the payment of accumulated vacation and sick leave upon separation of service. The liability for such accumulated leave is reflected in the government-wide Statement of Net Position as current and long-term liabilities. A liability for these amounts is reported in the governmental funds only if the liability matured through employee resignation or retirement. The liability for compensated absences includes salary related payments, where applicable.

Net Pension Liability - The net pension liability represents the Village's proportionate share of the net pension liability of the New York State and Local Employees' Retirement System and the New York State Police and Fire Retirement System. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions*" and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date*".

Net Position - Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the Statement of Net Position includes, net investment in capital assets, restricted for retirement contributions, debt service, pension benefits and special revenue funds. The balance is classified as unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either through the enabling legislation adopted by the Board of Trustees or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted net position for the Village includes restricted for retirement contributions, debt service, proposed benefits and special revenue bonds.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Fund Balances - Generally, fund balance represents the difference between the current assets and deferred outflows of resources and current liabilities and deferred inflows of resources. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Village is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard the fund balance classifications are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they

Village of Spring Valley, New York

Notes to Financial Statements (Continued)

May 31, 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance is reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification is used to report funds that are restricted for debt service obligations and for other items contained in General Municipal Law of the State of New York.

Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. The Board of Trustees is the highest level of decision making authority for the Village that can, by the adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, these funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain amounts established and approved by the Board of Trustees.

Assigned fund balance, in the General Fund, represents amounts constrained either by the policies of the Village Board of Trustees, the entity's highest level of decision making authority or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all other governmental funds except the General Fund includes all remaining amounts, except for negative balances that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities and deferred inflows of resources, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows of resources.

In order to calculate the amounts to report as restricted and unrestricted 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. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Village's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Village's policy to use fund balance in the following order: committed, assigned, and unassigned.

Village of Spring Valley, New York

Notes to Financial Statements (Continued)
May 31, 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

F. Encumbrances

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are generally reported as assigned fund balance since they do not constitute expenditures or liabilities.

G. Use of Estimates

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

H. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is March 2, 2021.

Note 2 - Stewardship, Compliance and Accountability

A. Budgetary Data

The Village generally follows the procedures enumerated below in establishing the budgetary data reflected in the financial statements:

- a) On or before March 20th, the budget officer submits to the Board of Trustees a tentative operating budget for the fiscal year commencing the following June 1st. The tentative budget includes the proposed expenditures and the means of financing.
- b) The Board of Trustees, on or before March 31st, meets to discuss and review the tentative budget.
- c) The Board of Trustees conducts a public hearing on the tentative budget to obtain taxpayer comments on or before April 15th.
- d) After the public hearing and on or before May 1st, the Trustees meet to consider and adopt the budget.
- e) Formal budgetary integration is employed during the year as a management control device for General and Debt Service funds.

Village of Spring Valley, New York

Notes to Financial Statements (Continued)

May 31, 2018

Note 2 - Stewardship, Compliance and Accountability (Continued)

- f) Budgets for General and Debt Service funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects and Community Development funds are budgeted on a project basis. The Village does not adopt a budget for the Section 8 - Housing Assistance Fund or the Special Purpose Fund.
- g) The Village Board has established legal control of the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval by the Board of Trustees. Any modification to appropriations resulting from increases in revenue estimates or supplemental reserve appropriations also require a majority vote by the Board.
- h) Appropriations in General and Debt Service funds lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

Budgeted amounts are as originally adopted or as amended by the Board of Trustees.

B. Property Tax Limitation

The Village is permitted by the Constitution of the State of New York to levy taxes up to 2% of the five year average full valuation of taxable real estate located within the Village, exclusive of the amount raised for the payment of interest on and redemption of long-term debt. In accordance with this definition, the maximum amount of the levy for the 2017-2018 fiscal year was \$24,568,489 which equals the actual levy.

In addition to this constitutional tax limitation, Chapter 97 of the Laws of 2011, as amended ("Tax Levy Limitation Law"), modified previous law by imposing a limit on the amount of real property taxes a local government may levy. The following is a brief summary of certain relevant provisions of the Tax Levy Limitation Law. The summary is not complete and the full text of the Tax Levy Limitation Law should be read in order to understand the details and implementations thereof.

The Tax Levy Limitation Law imposes a limitation on increases in the real property tax levy, subject to certain exceptions. The Tax Levy Limitation Law permits the Village to increase its overall real property tax levy over the tax levy of the prior year by no more than the "Allowable Levy Growth Factor," which is the lesser of one and two-one hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by (ii) the average of the National Consumer Price Indexes determined by the United States with the result expressed as a decimal to four places. The Village is required to calculate its tax levy limit for the upcoming year in accordance with the provision above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limitation Law sets forth certain exclusions to the real property tax levy limitation of the Village, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the Village. The Village Board may adopt a budget that exceeds the tax levy limit for

Village of Spring Valley, New York

Notes to Financial Statements (Continued)
May 31, 2018

Note 2 - Stewardship, Compliance and Accountability (Continued)

the coming fiscal year, only if the Village Board first enacts, by a vote of at least sixty percent of the total voting power of the Village Board, a local law to override such limit for such coming fiscal year.

C. Capital Projects Fund Deficit

The Capital Projects Fund reflects an unassigned deficit of \$3,444,115. This deficit results from expenditures exceeding current financing on the projects. This deficit will be eliminated with the receipt or issuance of subsequent authorized financing.

D. Other Fund Deficits

The County Program and the Elderly Emergency Home Repair Program sub-fund within the Community Development Fund reflects a deficit of \$24,094 and \$3,623, respectively. In addition, the Special Purpose Fund reflects a deficit of \$23,561. The Village will address these deficits in the ensuing year.

E. Expenditures in Excess of Budget

The following functional expenditures exceeded their budgetary authorizations by the amounts indicated:

General Fund	
General Government Support	
Mayor	\$ 14,370
Assessment	53,809
Attorney	1,524
Buildings	47,363
Central garage	106,189
Central mailing	5,377
Refunds of real property taxes	489,927
Transportation	
Street maintenance	175,975
Bus operations	8,017
Street lighting	8,462
Transportation aid	929
Parking	3,698
Culture and Recreation	
Civic center	1,676
Home and Community Services	
Planning Board	23,884
Refuse and garbage	3,184
Employee Benefits	
Police retirement	28,772
Fire service awards	10,673
Workers' compensation benefits	96,007
Life insurance	30,583
Hospital and medical insurance	683,648

Village of Spring Valley, New York

Notes to Financial Statements (Continued)
 May 31, 2018

Note 3 - Detailed Notes on All Funds

A. Due From/To Other Funds

The balances reflected as due from/to other funds at May 31, 2018 were as follows:

Fund	Due From	Due To
General	\$ 6,260,042	\$ 3,050,977
Capital Projects	6,488,889	10,461,340
Debt Service	797,959	-
Non-Major Governmental	-	34,573
	\$ 13,546,890	\$ 13,546,890

The outstanding balances between funds results mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments between funds are made.

B. Capital Assets

Changes in the Village's capital assets are as follows:

	Balance June 1, 2017	Additions	Balance May 31, 2018
Capital Assets, not being depreciated:			
Land	\$ 2,681,662	\$ -	\$ 2,681,662
Construction-in-progress	427,890	-	427,890
Total Capital Assets, not being depreciated	\$ 3,109,552	\$ -	\$ 3,109,552
Capital Assets, being depreciated:			
Infrastructure	\$ 28,649,249	\$ -	\$ 28,649,249
Buildings and improvements	20,091,537	2,323,756	22,415,293
Machinery and equipment	6,509,033	234,494	6,743,527
Total Capital Assets, being depreciated	55,249,819	2,558,250	57,808,069
Less Accumulated Depreciation for:			
Infrastructure	23,529,229	1,027,412	24,556,641
Buildings and improvements	6,268,879	711,229	6,980,108
Machinery and equipment	5,838,499	161,856	6,000,355
Total Accumulated Depreciation	35,636,607	1,900,497	37,537,104
Total Capital Assets, being depreciated, net	\$ 19,613,212	\$ 657,753	\$ 20,270,965
Governmental Activities			
Capital Assets, net	\$ 22,722,764	\$ 657,753	\$ 23,380,517

Village of Spring Valley, New York

Notes to Financial Statements (Continued)
May 31, 2018

Note 3 - Detailed Notes on All Funds (Continued)

Depreciation expense was charged to the Village's functions and programs as follows:

General Governmental Support	\$ 455,393
Public Safety	165,621
Transportation	1,227,197
Culture and Recreation	<u>52,286</u>
Total Depreciation Expense	<u>\$ 1,900,497</u>

C. Accrued Liabilities

Accrued liabilities at May 31, 2018 were as follows:

	<u>General Fund</u>
Payroll and employee benefits	\$ 603,991
Tax certiorari refunds	<u>163,694</u>
	<u>\$ 767,685</u>

D. Long-Term Liabilities

The following table summarizes changes in the Village's long-term indebtedness for the year ended May 31, 2018:

	<u>Balance June 1, 2017</u>	<u>New Issues/ Additions</u>	<u>Maturities and/or Payments</u>	<u>Balance May 31, 2018</u>	<u>Due Within One Year</u>
General Obligation Bonds Payable					
Capital Construction	\$ 9,691,810	\$ -	\$ 1,279,327	\$ 8,412,483	\$ 1,367,006
Judgments and Claims	3,852,190	-	339,673	3,512,517	357,994
Other	<u>620,000</u>	<u>-</u>	<u>45,000</u>	<u>575,000</u>	<u>50,000</u>
	14,164,000	-	1,664,000	12,500,000	1,775,000
Plus - Issuance Premium	<u>116,003</u>	<u>-</u>	<u>21,214</u>	<u>94,789</u>	<u>-</u>
	14,280,003	-	1,685,214	12,594,789	1,775,000
Other Non-Current Liabilities					
Compensated Absences	1,767,217	-	406,570	1,360,647	136,000
Claims Payable	651,377	7,803	-	659,180	383,819
Net Pension Liability	5,432,172	-	2,922,139	2,510,033	-
Other Post Employment Benefit Obligations Liability	<u>28,288,262</u>	<u>5,717,436</u>	<u>2,017,069</u>	<u>31,988,629</u>	<u>-</u>
Total Non-Current Liabilities	<u>36,139,028</u>	<u>5,725,239</u>	<u>5,345,778</u>	<u>36,518,489</u>	<u>519,819</u>
Total Long-Term Liabilities	<u>\$ 50,419,031</u>	<u>\$ 5,725,239</u>	<u>\$ 7,030,992</u>	<u>\$ 49,113,278</u>	<u>\$ 2,294,819</u>

Each governmental fund's liability for general obligation bonds payable, compensated absences, claims payable, net pension liability and other post employment benefit obligations is liquidated by the General Fund. The Village's indebtedness for bonds is satisfied by the Debt Service Fund,

Village of Spring Valley, New York

Notes to Financial Statements (Continued)
 May 31, 2018

Note 3 - Detailed Notes on All Funds (Continued)

which is funded primarily from the General Fund. The schedule of funding progress for the defined benefit pension plan immediately following the notes to the financial statements present multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing relative to the actuarial accrued liability for the benefits over time.

General Obligation Bonds Payable

General Obligation bonds payable at May 31, 2018 are comprised of the following individual issues:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rates	Amount Outstanding at May 31, 2018
Various Purposes	2004	\$ 500,000	April, 2019	4.250-4.500 %	\$ 45,000
Various Purposes	2005	5,000,000	May, 2025	4.250-5.000	2,270,000
Various Purposes	2007	600,000	August, 2021	4.250-4.700	210,000
Various Purposes	2008	4,300,000	June, 2022	5.000	1,850,000
Various Purposes	2009	1,000,000	August, 2018	4.000	130,000
Various Purposes - Refunding	2010	2,085,000	January, 2019	3.000-5.000	280,000
Tax Certioraris	2010	3,000,000	December, 2024	3.000-3.875	1,855,000
Public Improvement/Housing Authority	2013	750,000	July, 2027	3.000-4.250	575,000
Various Purposes - Refunding	2017	225,060	April, 2025	2.000-5.000	180,420
Tax Certioraris - Refunding	2017	984,940	April, 2025	2.000-5.000	789,580
Various Purposes	2017	3,630,000	August, 2031	2.000-2.500	3,447,063
Tax Certioraris	2017	914,000	August, 2031	2.000-2.500	867,937
					<u>\$ 12,500,000</u>

Interest expenditures of \$535,155 were recorded in the fund financial statements in the Debt Service Fund. Interest expense of \$504,044 was recorded in the government-wide financial statements.

Payments to Maturity

The annual requirements to amortize all bonded debt outstanding as of May 31, 2018 including interest payments of \$1,976,446 are as follows:

Year Ending May 31,	Principal	Interest
2019	\$ 1,775,000	\$ 429,847
2020	1,370,000	360,060
2021	1,420,000	304,407
2022	1,470,000	246,217
2023	1,465,000	186,381
2024-2028	3,635,000	385,087
2029-2032	1,365,000	64,447
	<u>\$ 12,500,000</u>	<u>\$ 1,976,446</u>

The above general obligation bonds are direct obligations of the Village for which its full faith and credit are pledged and are payable from taxes levied on all taxable real property within the Village.

Village of Spring Valley, New York

Notes to Financial Statements (Continued)

May 31, 2018

Note 3 - Detailed Notes on All Funds (Continued)

Compensated Absences

Pursuant to the terms of the collective bargaining agreements, all Village employees, except police officers, may accumulate up to 165 days of sick leave to be used as compensatory time. All Village employees, except police officers, may request to be paid for accumulated sick leave up to a maximum of one-half of that employee's past year's accumulated sick leave at the rate of \$75 per day. For police officers with accumulated sick leave as of May 31, 2018, such leave will be paid upon separation of service at the rate of seventy-five percent of the amount accumulated at current salary levels.

Vacation leave for all employees, except department heads, is earned on the employee's anniversary date and must be taken within one year of that anniversary date, except if an extension has been approved by the Mayor and the Board. Any unused vacation leave is paid upon separation of service. Employees are permitted to accumulate compensatory time which can be used as vacation leave. Upon separation of employment, employees will be paid for unused compensatory time. The value of such compensated absences has been reflected in the government-wide financial statements.

Claims Payable

Claims payable reflects a liability of \$659,180 for court ordered tax certiorari refunds, which were not due and payable at year-end. The amounts have been recorded as an expense in the government-wide financial statements.

Pension Plans

New York State and Local Retirement System

The Village participates in the New York State and Local Employees' Retirement System ("ERS") and the New York State and Local Police and Fire Retirement System ("PFRS") which are collectively referred to as the New York State and Local Retirement System ("System"). These are cost-sharing, multiple-employer defined benefit pension plans. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund ("Fund"), which was established to hold all assets and record changes in fiduciary net position. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Village also participates in the Public Employees' Group Life Insurance Plan, which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at www.osc.state.ny.us/retire/about_us/financial_statements_index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Village of Spring Valley, New York

Notes to Financial Statements (Continued)

May 31, 2018

Note 3 - Detailed Notes on All Funds (Continued)

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31. The employer contribution rates for the plan's year ending in 2018 are as follows:

	<u>Tier/Plan</u>	<u>Rate</u>
ERS	2 75I/41J	19.8%
	3 A14/41J	16.0
	4 A15/41J	16.0
	5 A15/41J	13.1
	6 A15/41J	9.3
PFRS	2 384D	24.1%
	5 384D	19.5
	6 384D	14.5

At May 31, 2018, the Village reported the following for its proportion share of the net pension liability for ERS and PFRS:

	<u>ERS</u>	<u>PFRS</u>
Net pension liability	\$ 394,587	\$ 2,115,446
Villages' proportion of the net pension liability	0.0122260 %	0.2092932 %
Change in proportion since the prior measurement date	(0.0010945) %	0.0075927 %

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 that date. The Village's proportion of the net pension liability was based on a computation of the actuarially determined indexed present value of future compensation by employer relative to the total of all participating members.

For the year ended May 31, 2018, the Village recognized pension expense in the government-wide financial statements of \$763,079 for ERS and \$2,442,398 for PFRS. Pension expenditures of \$610,639 for ERS and \$1,855,433 for PFRS were recorded in the fund financial statements and were charged to the General Fund.

Village of Spring Valley, New York

Notes to Financial Statements (Continued)

May 31, 2018

Note 3 - Detailed Notes on All Funds (Continued)

At May 31, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	ERS		PFRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 140,737	\$ 116,299	\$ 870,696	\$ 562,122
Changes of assumptions	261,644	-	1,602,833	-
Net difference between projected and actual earnings on pension plan investments	573,107	1,131,256	1,712,205	3,448,288
Changes in proportion and differences between Village contributions and proportionate share of contributions	254,199	114,971	180,436	179,290
Village contributions subsequent to the measurement date	91,850	-	288,760	-
	<u>\$ 1,321,537</u>	<u>\$ 1,362,526</u>	<u>\$ 4,654,930</u>	<u>\$ 4,189,700</u>
	Total			
	Deferred Outflows of Resources	Deferred Inflows of Resources		
Differences between expected and actual experience	\$ 1,011,433	\$ 678,421		
Changes of assumptions	1,864,477	-		
Net difference between projected and actual earnings on pension plan investments	2,285,312	4,579,544		
Changes in proportion and differences between Village contributions and proportionate share of contributions	434,635	294,261		
Village contributions subsequent to the measurement date	380,610	-		
	<u>\$ 5,976,467</u>	<u>\$ 5,552,226</u>		

\$91,850 and \$288,760 are reported as deferred outflows of resources related to ERS and PFRS, respectively, resulting from the Village's accrued contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS and PFRS will be recognized in pension expense as follows:

Year Ended March 31,	ERS	PFRS
2019	\$ 145,440	\$ 449,425
2020	118,325	401,072
2021	(278,463)	(473,059)
2022	(118,141)	(304,312)
2023	-	103,344

The total pension liability for the March 31, 2018 measurement date was determined by using an actuarial valuation date as noted below, with update procedures used to roll forward the total pension liabilities to that measurement date. The total pension liabilities for the March 31, 2017 measurement date were determined by using an actuarial valuation as of April 1, 2017. Significant actuarial assumptions used in the valuation were as follows:

Village of Spring Valley, New York

Notes to Financial Statements (Continued)
 May 31, 2018

Note 3 - Detailed Notes on All Funds (Continued)

	<u>ERS</u>	<u>PFRS</u>
Measurement date	March 31, 2018	March 31, 2018
Actuarial valuation date	April 1, 2016	April 1, 2016
Investment rate of return	7.0% *	7.0% *
Salary scale	3.8%	4.5%
Inflation rate	2.5%	2.5%
Cost of living adjustments	1.3%	1.3%

*Compounded annually, net of pension plan investment expenses, including inflation.

Annuitant mortality rates are based on the April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

The actuarial assumptions used in the 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 is summarized in the following table.

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	36 %	4.55 %
International Equity	14	6.35
Private Equity	10	7.50
Real Estate	10	5.55
Absolute Return Strategies	2	3.75
Opportunistic Portfolio	3	5.68
Real Assets	3	5.29
Bonds and Mortgages	17	1.31
Cash	1	(0.25)
Inflation Indexed Bonds	4	1.25
	<u>100 %</u>	

The real rate of return is net of the long-term inflation of 2.5%.

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

Village of Spring Valley, New York

Notes to Financial Statements (Continued)
May 31, 2018

Note 3 - Detailed Notes on All Funds (Continued)

made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon those 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.

The following presents the Village's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Village's proportionate share of the net pension liability (asset) 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 (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Village's proportionate share of the ERS net pension liability (asset)	<u>\$ 2,985,555</u>	<u>\$ 394,587</u>	<u>\$ (1,797,267)</u>
Village's proportionate share of the PFRS net pension liability (asset)	<u>\$ 10,632,025</u>	<u>\$ 2,115,446</u>	<u>\$ (4,801,500)</u>

The components of the collective net pension liability as of the March 31, 2018 measurement date were as follows:

	ERS	PFRS	Total
Total pension liability	\$ 183,400,590,000	\$ 32,914,423,000	\$ 216,315,013,000
Fiduciary net position	<u>180,173,145,000</u>	<u>31,903,666,000</u>	<u>212,076,811,000</u>
Employers' net pension liability	<u>\$ 3,227,445,000</u>	<u>\$ 1,010,757,000</u>	<u>\$ 4,238,202,000</u>
Fiduciary net position as a percentage of total pension liability	<u>98.24%</u>	<u>96.93%</u>	<u>98.04%</u>

Employer contributions to ERS and PFRS are paid annually and cover the period through the end of the System's fiscal year, which is March 31st. Retirement contributions as of May 31, 2018 represent the employer contribution for the period of April 1, 2018 through May 31, 2018 based on paid ERS and PFRS wages multiplied by the employers' contribution rate, by tier. Employee contributions are remitted monthly. Accrued retirement contributions to ERS and PFRS within the General Fund as of May 31, 2018 were \$91,850 and \$288,760 respectively.

Voluntary Defined Contribution Plan

The Village can offer a defined contribution plan to all non-union employees hired on or after July 1, 2013 and earning at the annual full-time salary rate of \$75,000 or more. The employee contribution is between 3% and 6% depending on salary and the Village will contribute 8%. Employer contributions vest after 366 days of service. No current employees participated in this program.

Village of Spring Valley, New York

Notes to Financial Statements (Continued)
May 31, 2018

Note 3 - Detailed Notes on All Funds (Continued)

E. Pension Trust - Fire Service Award Program

The Village, pursuant to Article 11-A of General Municipal Law and legislative resolution, has established a Service Award Program ("Program") for volunteer firefighters. This Program is a single employer defined benefit plan. Active volunteer firefighters, upon attainment of age 16, and after a year of service credit in a calendar year after 1994 under the provisions of the Program point system, are eligible to become participants in the Program. Participants are fully vested upon attainment of entitlement age, upon death or upon general disablement and after earning five years of service credit. A participant, upon attainment of entitlement age (the later of age 65 or the participant's age after earning one year of service credit) shall be able to receive their service award, payable in the form of a ten-year certain and continuous monthly payment life annuity. The monthly benefits are \$20 for each year of service credit, up to a maximum of 30 years. The Program also provides disability and death benefits. The trustees of the Program, which are the members of the Village's Board, are authorized to invest the funds in authorized investment vehicles. Administrative costs are paid by the Village from the General Fund. Separate financial statements are not issued by the program.

Current membership in the Program is comprised of the following:

<u>Group</u>	<u>December 31, 2018</u>
Retirees and beneficiaries currently receiving benefits	9
Terminated members entitled to but not yet receiving benefits	50
Active-nonvested	24
Active - vested	63

The Village's Board has retained and designated Penflex, Inc. to assist in the administration of the Program. Based on the certified calendar year volunteer firefighter listings, Penflex, Inc. determines and certifies in writing the amount of the service award to be paid to a participant or to a participant's designated beneficiary. As authorized by the Village, Penflex Inc. then directs the paying agent to pay the service award. No service award benefit payment is made without the written certification from Penflex, Inc. and written confirmation to the Village.

Program assets are required to be held in trust by Article 11-A of the General Municipal Law of the State of New York, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the Program. Authority to invest the Program's assets is vested in the Trustee. Program assets are invested in accordance with a statutory prudent person rule and in accordance with an investment policy adopted by the Village.

The Village is required to retain an actuary to determine the amount of the Village's contributions to the Program. The actuarial firm retained for this purpose is Penflex, Inc. Portions of the following information are derived from a report prepared by the actuary dated May 23, 2018.

Village of Spring Valley, New York

Notes to Financial Statements (Continued)
 May 31, 2018

Note 3 - Detailed Notes on All Funds (Continued)

Actuarial Present Value of Benefits at December 31, 2017			<u>\$ 2,189,622</u>
Less: Assets Available for Benefits			
	<u>% of total</u>		
Cash	7.02 %	\$ 150,561	
Money Market Mutual Funds	83.90	1,798,194	
United States Government Securities	0.02	428	
Certificates of Deposits	9.06	<u>194,294</u>	
			2,143,477
Less: Liabilities - Benefits payable			<u>(15,966)</u>
Total Net Assets Available for Benefits			<u>2,127,511</u>
Total Funded (Unfunded) Benefits			<u>62,111</u>
Less: Unfunded Liability for Prior Service			<u>62,111</u>
Funded (Unfunded) Normal Benefits			<u><u>\$ -</u></u>

Prior service costs are being amortized over a range of 10 to 18 years at a discount rate of 5.50%.

The Village is required to contribute the amounts necessary to finance the plan as actuarially determined using the attained age normal frozen initial liability cost method. The asset valuation method is fair value. The assumed investment rate of return is 5.50% and there is no cost of living adjustments. In addition, projected salary increases are not applicable since members are volunteers and there are no assumptions regarding post-retirement benefit increases since post-retirement aged members are not projected to earn service credits.

The Village's annual Program cost, the percentage of the annual Program cost contributed to the plan and the net pension obligation for the current and two preceding fiscal years were as follows:

	Annual Required Contribution	Actual Contribution	Percentage of Annual Program Cost Contributed	Net Pension Obligation
2018	\$ 80,673	\$ 80,673	100.00 %	\$ -
2017	84,096	84,096	100.00	-
2016	66,254	66,254	100.00	-

Since the net pension obligation is not separately amortized, the annual required contribution is equal to the annual pension cost. Per the actuary, the 2017 required contribution was made in calendar year 2017.

Village of Spring Valley, New York

Notes to Financial Statements (Continued)
May 31, 2018

Note 3 - Detailed Notes on All Funds (Continued)

Other Post Employment Benefit Obligations (“OPEB”)

In addition to providing pension benefits, the Village provides certain health care benefits for retired employees. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the Village may vary according to length of service. The cost of providing post employment health care benefits is shared between the Village and the retired employee. Substantially all of the Village's employees may become eligible for those benefits if they reach normal retirement age while working for the Village. The cost of retiree health care benefits is recognized as an expenditure as claims are paid in the fund financial statements.

The Village's annual other post employment benefit (“OPEB”) cost (expense) is calculated based on the annual required contribution, (“ARC”), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. GASB Statement No. 45 establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees' medical insurance. As a result, reporting of expenses and liabilities will no longer be done under the “pay-as-you-go” approach. Instead of expensing the current year premiums paid, a per capita claims cost will be determined, which will be used to determine a “normal cost”, an “actuarial accrued liability”, and ultimately the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The Village is required to accrue on the government-wide financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the expected rate of return on the Village's general assets. Funding for the Plan has been established on a pay-as-you-go basis. The assumed increase in post employment benefits is as follows:

<u>Year Ended May 31,</u>	<u>Medical Rates</u>
2018	7.00 %
2019	6.00
2020+	5.00

The amortization basis is the level dollar method with a closed amortization approach with 22 years remaining in the amortization period. The actuarial assumptions included a 4.0% discount rate, 5.0% ultimate health care trend rate and a payroll growth rate of 2.5%. The Village currently has no assets set aside for the purpose of paying post employment benefits. The actuarial cost method utilized was the entry age method.

Village of Spring Valley, New York

Notes to Financial Statements (Continued)
 May 31, 2018

Note 3 - Detailed Notes on All Funds (Continued)

The number of participants as of May 31, 2018 was as follows:

Active Employees	144
Retired Employees	<u>108</u>
	<u><u>252</u></u>

Amortization Component:	
Actuarial Accrued Liability as of June 1, 2017	\$ 71,287,716
Assets at Market Value	<u>-</u>
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 71,287,716</u>
Funded Ratio	<u>0.00%</u>
Covered Payroll (active plan members)	<u>\$ 10,433,969</u>
UAAL as a Percentage of Covered Payroll	<u>683.23%</u>
Annual Required Contribution	\$ 6,078,515
Interest on Net OPEB Obligation	1,131,531
Adjustment to ARC	<u>(1,492,610)</u>
Annual OPEB Cost	5,717,436
Contributions Made	<u>(2,017,069)</u>
Increase in Net OPEB Obligation	3,700,367
Net OPEB Obligation - Beginning of Year	<u>28,288,262</u>
Net OPEB Obligation - End of Year	<u>\$ 31,988,629</u>

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations for the current and two preceding years are as follows:

Fiscal Year Ended May 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2018	\$ 5,717,436	36.76 %	\$ 31,988,629
2017	5,487,550	33.65	28,288,262
2016	4,772,217	31.26	24,647,290

Village of Spring Valley, New York

Notes to Financial Statements (Continued)
May 31, 2018

Note 3 - Detailed Notes on All Funds (Continued)

F. Revenues and Expenditures

Interfund Transfers

Interfund transfers are defined as the flow of assets, such as cash or goods and services, without the equivalent flow of assets in return. The interfund transfers reflected below have been reflected as transfers.

<u>Transfers Out</u>	<u>Transfers In</u>		<u>Total</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	
General Fund	\$ -	\$ 2,199,156	\$ 2,199,156
Capital Project Fund	-	25,676	25,676
Debt Service Fund	67,806	-	67,806
	<u>\$ 67,806</u>	<u>\$ 2,224,832</u>	<u>\$ 2,292,638</u>

Transfers are used to move funds from the operating funds to the Debt Service Fund as debt service principal and interest payments become due and from the Debt Service Fund to the General Fund to offset the costs of debt.

G. Net Position

The components of net position are detailed below:

Net Investment in capital assets - the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted for Retirement Contributions - the component of net position that reports the amounts set aside to be used for retirement costs in accordance with Section 6-r of the General Municipal Law of the State of New York.

Restricted for Debt Service - the component of net position that reports the difference between assets and liabilities with constraints placed on their use by Local Finance Law.

Restricted for Pension Benefits - The component of net position that has been set aside to be used for LOSAP pension benefits in accordance with Article 11-A of the General Municipal Law of the State of New York

Restricted for Special Revenue Funds - the component of net position that represents funds restricted for specific purposes under New York State law or by external parties and/or statutes.

Unrestricted - all other amounts that do not meet the definition of "restricted" or "net investment in capital assets".

Village of Spring Valley, New York

Notes to Financial Statements (Continued)
 May 31, 2018

Note 3 - Detailed Notes on All Funds (Continued)

H. Fund Balances

	2018					2017						
	General Fund	Section 8 Housing Assistance Fund	Capital Projects Fund	Debt Service Fund	Non-Major Governmental Funds	Total	General Fund	Section 8 Housing Assistance	Capital Projects Fund	Debt Service Fund	Non-Major Governmental Funds	Total
Nonspendable -												
Prepaid expenditures	\$ 8,740	\$ -	\$ -	\$ -	\$ -	\$ 8,740	\$ 394,888	\$ -	\$ -	\$ -	\$ -	\$ 394,888
Restricted:												
Retirement contributions	990,896	-	-	-	-	990,896	988,918	-	-	-	-	988,918
Debt service	479,521	-	-	797,987	-	1,277,508	478,564	-	-	840,117	-	1,318,681
Pension benefits	2,189,523	-	-	-	-	2,189,523	2,063,835	-	-	-	-	2,063,835
Section 8 Fund	-	845,220	-	-	-	845,220	-	663,782	-	-	-	663,782
Community Development	-	-	-	-	18,485	18,485	-	-	-	-	22,778	22,778
Total Restricted	3,659,940	845,220	-	797,987	18,485	5,321,632	3,531,317	663,782	-	840,117	22,778	5,057,994
Assigned -												
Purchases on order:												
General government support	88,585	-	-	-	-	88,585	30,035	-	-	-	-	30,035
Public safety	139,645	-	-	-	-	139,645	131,840	-	-	-	-	131,840
Culture and recreation	268,340	-	-	-	-	268,340	12,642	-	-	-	-	12,642
Transportation	1,695	-	-	-	-	1,695	1,239	-	-	-	-	1,239
Subsequent years' expenditures - General Fund	498,265	-	-	-	-	498,265	175,756	-	-	-	-	175,756
Total Assigned	150,000	-	-	-	-	150,000	143,332	-	-	-	-	143,332
Total Assigned	648,265	-	-	-	-	648,265	319,088	-	-	-	-	319,088
Unassigned	4,912,644	-	(3,444,115)	-	(23,561)	1,444,968	8,725,117	-	(585,408)	-	(19,544)	8,120,165
Total Fund Balances	\$ 9,229,589	\$ 845,220	\$ (3,444,115)	\$ 797,987	\$ (5,076)	\$ 7,423,605	\$ 12,970,410	\$ 663,782	\$ (585,408)	\$ 840,117	\$ 3,234	\$ 13,892,135

Village of Spring Valley, New York

Notes to Financial Statements (Continued)
May 31, 2018

Note 3 - Detailed Notes on All Funds (Continued)

Certain elements of fund balance are described above. Those additional elements which are not reflected in the Statement of Net Position but are reported in the governmental funds balance sheet are described below.

Prepaid Expenditures has been established to account for certain payments made in advance. The amount is classified as nonspendable to indicate that these funds are not "available" for appropriation or expenditure even though they are a component of current assets.

Purchases on order are assigned and represent the Village's intention to honor the contracts in process at year-end. The subsequent year's appropriation will be amended to provide authority to complete the transaction.

Subsequent year's expenditures are amounts that at May 31, 2018, the Village Board has assigned to be appropriated to the ensuing year's budget.

Unassigned fund balance represents amounts not classified as non-spendable, restricted or assigned. Unassigned fund balance in the Capital Projects and Non-Major Governmental funds represents the deficit balance in those funds.

Note 4 - Summary Disclosure of Significant Contingencies

A. Litigation

There are currently pending tax certiorari proceedings, the results of which could require the payment of future tax refunds by the Village if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of these possible refunds cannot be determined at the present time. Any payments resulting from adverse decisions will be funded in the year the payment is made.

The Village, in common with other municipalities, receives numerous notices of claims for money damages arising from false arrest, malicious prosecution and personal injury and eminent domain. Of claims pending, none are expected to have a material effect on the financial position of the Village if adversely settled.

B. Contingencies

The Village participates in various Federal grant programs. These programs are subject to program compliance audits pursuant to the Uniform Guidance. The amount of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time, although the Village anticipates such amounts, if any, to be immaterial.

Village of Spring Valley, New York

Notes to Financial Statements (Concluded)
May 31, 2018

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

C. Risk Management

The Village purchases various insurance coverages to reduce its exposure to loss. The Village maintains general liability, law enforcement liability, automobile and public officials' liability insurance coverage with basic policy limits of \$1 million per occurrence and \$2 million in the aggregate. The Village also maintains an excess liability policy which provides for additional liability coverage up to \$10 million per occurrence and \$20 million in the aggregate. The Village purchases conventional workers' compensation insurance with coverage at statutory levels. Health benefits are provided by commercial carriers including health maintenance organizations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Village of Spring Valley, New York

Fire Service Award Program
Schedule of Funding Progress
Last Six Fiscal Years

<u>Actuarial Valuation Date December 31,</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>(Unfunded) Overfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>
2013	\$ 1,411,939	\$ 1,415,024	\$ (3,085)	99.78 %
2014	1,558,344	1,539,159	19,185	101.25
2015	1,711,096	1,599,919	111,177	106.95
2016	1,756,284	1,710,460	45,824	102.68
2017	1,758,997	1,901,188	(142,191)	92.52
2018	1,900,269	2,091,332	(191,063)	91.63

See independent auditors' report.

Village of Spring Valley, New York

Required Supplementary Information - Schedule of the
Village's Proportionate Share of the Net Pension Liability
New York State and Local Employees' Retirement System
Last Ten Fiscal Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Village's proportion of the net pension liability	<u>0.0122260%</u>	<u>0.0133205%</u>	<u>0.0160565%</u>
Village's proportionate share of the net pension liability	<u>\$ 394,587</u>	<u>\$ 1,251,623</u>	<u>\$ 2,577,109</u>
Village's covered payroll	<u>\$ 3,855,230</u>	<u>\$ 4,217,375</u>	<u>\$ 4,151,800</u>
Village's proportionate share of the net pension liability as a percentage of its covered payroll	<u>10.24%</u>	<u>29.68%</u>	<u>62.07%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>98.24%</u>	<u>94.70%</u>	<u>90.70%</u>

Note - The amounts presented for each fiscal year were determined as of the March 31 measurement date.

(1) Data not available prior to fiscal year 2016 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Village of Spring Valley, New York

Required Supplementary Information - Schedule of Contributions
New York State and Local Employees' Retirement System
Last Ten Fiscal Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 616,266	\$ 607,092	\$ 924,457
Contributions in relation to the contractually required contribution	<u>(616,266)</u>	<u>(607,092)</u>	<u>(924,457)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village's covered payroll	<u>\$ 3,855,230</u>	<u>\$ 4,200,963</u>	<u>\$ 4,154,963</u>
Contributions as a percentage of covered payroll	<u>15.99%</u>	<u>14.45%</u>	<u>22.25%</u>

(1) Data not available prior to fiscal year 2016 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Village of Spring Valley, New York

Required Supplementary Information - Schedule of the
 Village's Proportionate Share of the Net Pension Liability
 New York State and Local Police and Fire Retirement System
 Last Ten Fiscal Years (1)

	2018	2017	2016
Village's proportion of the net pension liability	<u>0.2092932%</u>	<u>0.2017005%</u>	<u>0.2316704%</u>
Village's proportionate share of the net pension liability	<u>\$ 2,115,446</u>	<u>\$ 4,180,549</u>	<u>\$ 6,859,267</u>
Village's covered payroll	<u>\$ 7,559,893</u>	<u>\$ 7,897,467</u>	<u>\$ 7,400,862</u>
Village's proportionate share of the net pension liability as a percentage of its covered payroll	<u>27.98%</u>	<u>52.94%</u>	<u>92.68%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>96.93%</u>	<u>93.50%</u>	<u>90.20%</u>

Note - The amounts presented for each fiscal year were determined as of the March 31 measurement date.

(1) Data not available prior to fiscal year 2016 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Village of Spring Valley, New York

Required Supplementary Information - Schedule of Contributions
New York State and Local Police and Fire Retirement System
Last Ten Fiscal Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 1,880,008	\$ 1,728,418	\$ 1,547,371
Contributions in relation to the contractually required contribution	<u>(1,880,008)</u>	<u>(1,728,418)</u>	<u>(1,547,371)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village's covered payroll	<u>\$ 7,559,893</u>	<u>\$ 7,987,442</u>	<u>\$ 7,516,353</u>
Contributions as a percentage of covered payroll	<u>24.87%</u>	<u>21.64%</u>	<u>20.59%</u>

(1) Data not available prior to fiscal year 2016 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Village of Spring Valley, New York

Required Supplementary Information
Other Post Employment Benefits
Schedule of Funding Progress
Last Three Fiscal Years

Valuation Date	Actuarial		Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
June 1, 2015	\$ -	\$ 60,654,599	\$ 60,654,599	- %	\$ 8,954,553	677.36 %
June 1, 2016	-	68,145,495	68,145,495	-	10,179,482	669.44
June 1, 2016	-	71,287,716	71,287,716	-	10,433,969	683.23

Village of Spring Valley, New York

General Fund
 Combining Balance Sheet - Sub-Funds
 May 31, 2018
 (With Comparative Actuals for 2017)

	General	Fire	Totals	
		Service Awards Program	2018	2017
ASSETS				
Cash and equivalents	\$ 5,306,781	\$ -	\$ 5,306,781	\$ 7,577,470
Investments	1,202	2,108,850	2,110,052	1,980,941
Other receivables				
Accounts	426,185	80,673	506,858	1,047,006
State and Federal aid	44,321	-	44,321	20,254
Due from other governments	771,810	-	771,810	434,721
Due from other funds	6,260,042	-	6,260,042	6,192,236
Prepaid expenditures	8,740	-	8,740	394,888
Total Assets	<u>\$ 12,819,081</u>	<u>\$ 2,189,523</u>	<u>\$ 15,008,604</u>	<u>\$ 17,647,516</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 1,579,743	\$ -	\$ 1,579,743	\$ 311,085
Accrued Liabilities	767,685	-	767,685	898,998
Due to other funds	3,050,977	-	3,050,977	3,050,977
Due to retirement systems	380,610	-	380,610	416,046
Total Liabilities	<u>5,779,015</u>	<u>-</u>	<u>5,779,015</u>	<u>4,677,106</u>
Fund balances				
Nonspendable	8,740	-	8,740	394,888
Restricted	1,470,417	2,189,523	3,659,940	3,531,317
Assigned	648,425	-	648,425	319,088
Unassigned	4,912,484	-	4,912,484	8,725,117
Total Fund Balances	<u>7,040,066</u>	<u>2,189,523</u>	<u>9,229,589</u>	<u>12,970,410</u>
Total Liabilities and Fund Balances	<u>\$ 12,819,081</u>	<u>\$ 2,189,523</u>	<u>\$ 15,008,604</u>	<u>\$ 17,647,516</u>

Village of Spring Valley, New York

General Fund

Combining Schedules of Revenues, Expenditures and Changes in Fund Balances - Sub-Funds

Year Ended May 31, 2018

(With Comparative Actuals for 2017)

	General	Fire		Totals	
		Service Award Program	Eliminations	2018	2017
REVENUES					
Real property taxes	\$ 20,547,821	\$ -	\$ -	\$ 20,547,821	\$ 24,073,215
Other tax items	300,632	-	-	300,632	495,202
Non-property taxes	1,781,093	-	-	1,781,093	1,899,260
Departmental income	515,186	80,673	(80,673)	515,186	760,689
Use of money and property	159,916	117,391	-	277,307	436,581
Licenses and permits	1,048,557	-	-	1,048,557	610,331
Fines and forfeitures	389,356	-	-	389,356	360,657
Sale of property and compensation for loss	17,000	-	-	17,000	2,221
State aid	1,160,537	-	-	1,160,537	850,725
Federal aid	16,702	-	-	16,702	123,107
Miscellaneous	36,932	-	-	36,932	128,217
Total Revenues	25,973,732	198,064	(80,673)	26,091,123	29,740,205
EXPENDITURES					
Current					
General government support	4,424,626	-	-	4,424,626	4,898,388
Public safety	10,246,658	72,376	(80,673)	10,238,361	9,816,051
Health	1,237	-	-	1,237	615
Transportation	2,279,326	-	-	2,279,326	2,114,781
Culture and recreation	432,845	-	-	432,845	321,303
Home and community services	126,643	-	-	126,643	121,390
Employee benefits	10,409,304	-	-	10,409,304	9,168,368
Total Expenditures	27,920,639	72,376	(80,673)	27,912,342	26,440,896
Excess (Deficiency) of Revenues Over Expenditures	(1,946,907)	125,688	-	(1,821,219)	3,299,309
OTHER FINANCING USES					
Bonds issued	-	-	-	-	914,000
Insurance recoveries	211,747	-	-	211,747	215,160
Transfers in	67,807	-	-	67,807	69,156
Transfers out	(2,199,156)	-	-	(2,199,156)	(1,885,787)
Total Other Financing Uses	(1,919,602)	-	-	(1,919,602)	(687,471)
Net Change in Fund Balances	(3,866,509)	125,688	-	(3,740,821)	2,611,838
FUND BALANCES					
Beginning of Year, as reported	10,906,575	2,063,835	-	12,970,410	8,508,511
Cumulative Effect of Change in Accounting Principle	-	-	-	-	1,850,061
Beginning of Year, as restated	10,906,575	2,063,835	-	12,970,410	10,358,572
End of Year	\$ 7,040,066	\$ 2,189,523	\$ -	\$ 9,229,589	\$ 12,970,410

See independent auditors' report.

Village of Spring Valley, New York

General Fund
Comparative Balance Sheet
May 31,

	2018	2017
ASSETS		
Cash and equivalents	\$ 5,306,781	\$ 7,577,470
Investments	1,202	1,202
Receivables		
Accounts	426,185	962,910
State and Federal aid	44,321	20,254
Due from other governments	771,810	434,721
Due from other funds	6,260,042	6,192,236
	<u>7,502,358</u>	<u>7,610,121</u>
Prepaid expenditures	8,740	394,888
Total Assets	<u>\$ 12,819,081</u>	<u>\$ 15,583,681</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 1,579,743	\$ 311,085
Accrued liabilities	767,685	898,998
Due to other funds	3,050,977	3,050,977
Due to retirement systems	380,610	416,046
Total Liabilities	<u>5,779,015</u>	<u>4,677,106</u>
Fund balance		
Nonspendable	8,740	394,888
Restricted	1,470,417	1,467,482
Assigned	648,425	319,088
Unassigned	4,912,484	8,725,117
Total Fund Balance	<u>7,040,066</u>	<u>10,906,575</u>
Total Liabilities and Fund Balance	<u>\$ 12,819,081</u>	<u>\$ 15,583,681</u>

Village of Spring Valley, New York

General Fund
 Comparative Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual
 Years Ended May 31,

	2018			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Real property taxes	\$ 24,568,489	\$ 24,568,489	\$ 20,547,821	\$ (4,020,668)
Other tax items	453,615	453,615	300,632	(152,983)
Non-property taxes	1,770,000	1,770,000	1,781,093	11,093
Departmental income	707,160	707,160	515,186	(191,974)
Use of money and property	197,000	197,000	159,916	(37,084)
Licenses and permits	681,100	681,100	1,048,557	367,457
Fines and forfeitures	415,000	415,000	389,356	(25,644)
Sale of property and compensation for loss	1,000	1,000	17,000	16,000
State aid	659,417	659,417	1,160,537	501,120
Federal aid	180,000	180,000	16,702	(163,298)
Miscellaneous	32,000	32,000	36,932	4,932
Total Revenues	29,664,781	29,664,781	25,973,732	(3,691,049)
EXPENDITURES				
Current				
General government support	4,357,587	4,357,587	4,424,626	(67,039)
Public safety	10,886,992	10,886,992	10,246,658	640,334
Health	3,000	3,000	1,237	1,763
Transportation	2,154,430	2,154,430	2,279,326	(124,896)
Economic opportunity and development	47,000	47,000	-	47,000
Culture and recreation	685,660	685,660	432,845	252,815
Home and community services	100,610	100,610	126,643	(26,033)
Employee benefits	9,599,434	9,599,434	10,409,304	(809,870)
Total Expenditures	27,834,713	27,834,713	27,920,639	(85,926)
Excess (Deficiency) of Revenues Over Expenditures	1,830,068	1,830,068	(1,946,907)	(3,776,975)
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	-	-	-
Insurance recoveries	125,000	125,000	211,747	86,747
Transfers in	-	-	67,807	67,807
Transfers out	(2,274,156)	(2,274,156)	(2,199,156)	75,000
Total Other Financing Uses	(2,149,156)	(2,149,156)	(1,919,602)	229,554
Net Change in Fund Balance	(319,088)	(319,088)	(3,866,509)	(3,547,421)
FUND BALANCE				
Beginning of Year	319,088	319,088	10,906,575	10,587,487
End of Year	\$ -	\$ -	\$ 7,040,066	\$ 7,040,066

See independent auditors' report.

2017

Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 24,073,703	\$ 24,073,703	\$ 24,073,215	\$ (488)
421,368	421,368	495,202	73,834
1,750,000	1,750,000	1,899,260	149,260
726,360	726,360	760,689	34,329
165,000	165,000	249,993	84,993
665,200	665,200	610,331	(54,869)
500,000	500,000	360,657	(139,343)
5,500	5,500	2,221	(3,279)
644,447	644,447	850,725	206,278
252,000	252,000	123,107	(128,893)
19,000	19,000	128,217	109,217
<u>29,222,578</u>	<u>29,222,578</u>	<u>29,553,617</u>	<u>331,039</u>
4,853,552	4,853,552	4,898,388	(44,836)
10,559,251	10,559,251	9,843,237	716,014
3,000	3,000	615	2,385
2,278,078	2,278,078	2,114,781	163,297
47,500	47,500	-	47,500
744,413	744,413	321,303	423,110
94,610	94,610	121,390	(26,780)
9,281,659	9,281,659	9,168,368	113,291
<u>27,862,063</u>	<u>27,862,063</u>	<u>26,468,082</u>	<u>1,393,981</u>
<u>1,360,515</u>	<u>1,360,515</u>	<u>3,085,535</u>	<u>1,725,020</u>
-	-	914,000	914,000
125,000	125,000	215,160	90,160
-	-	69,156	69,156
<u>(2,264,445)</u>	<u>(2,264,445)</u>	<u>(1,885,787)</u>	<u>378,658</u>
<u>(2,139,445)</u>	<u>(2,139,445)</u>	<u>(687,471)</u>	<u>1,451,974</u>
(778,930)	(778,930)	2,398,064	3,176,994
<u>778,930</u>	<u>778,930</u>	<u>8,508,511</u>	<u>7,729,581</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,906,575</u>	<u>\$ 10,906,575</u>

Village of Spring Valley, New York

General Fund
 Schedule of Revenues and Other Financing Sources Compared to Budget
 Year Ended May 31, 2018
 (With Comparative Actuals for 2017)

	Original Budget	Final Budget	Actual	Variance with Final Budget	2017 Actual
REAL PROPERTY TAXES	\$ 24,568,489	\$ 24,568,489	\$ 20,547,821	\$ (4,020,668)	\$ 24,073,215
OTHER TAX ITEMS					
Payments in lieu of taxes	303,615	303,615	300,554	(3,061)	302,144
Interest and penalties on real property taxes	150,000	150,000	78	(149,922)	193,058
	<u>453,615</u>	<u>453,615</u>	<u>300,632</u>	<u>(152,983)</u>	<u>495,202</u>
NON-PROPERTY TAXES					
Franchise fees	235,000	235,000	204,012	(30,988)	342,785
Non-property tax distribution from County	1,210,000	1,210,000	1,295,990	85,990	1,286,468
Utilities gross receipts taxes	325,000	325,000	281,091	(43,909)	270,007
	<u>1,770,000</u>	<u>1,770,000</u>	<u>1,781,093</u>	<u>11,093</u>	<u>1,899,260</u>
DEPARTMENTAL INCOME					
Clerk/Treasurer fees	300	300	401	101	440
Police fees	1,250	1,250	983	(267)	1,389
Registrar fees	-	-	980	980	905
Bus operations	2,500	2,500	2,471	(29)	2,816
Mass transportation	22,000	22,000	40,853	18,853	44,989
Zoning fees	32,000	32,000	31,332	(668)	51,000
Planning board fees	25,000	25,000	27,244	2,244	38,804
Parking fees	1,000	1,000	-	(1,000)	1,000
Emergency Tenant Protection Act	22,610	22,610	12,050	(10,560)	11,480
Fire protection	215,000	215,000	230,254	15,254	181,749
Snow removal	25,000	25,000	-	(25,000)	32,118
Pool fees	500	500	280	(220)	950
Public works	-	-	41	41	-
Refuse and garbage recycling	35,000	35,000	43,145	8,145	46,070
Administrative cost reimbursements	325,000	325,000	125,152	(199,848)	346,979
	<u>707,160</u>	<u>707,160</u>	<u>515,186</u>	<u>(191,974)</u>	<u>760,689</u>

USE OF MONEY AND PROPERTY

Earnings on investments	125,000	125,000	103,084	(21,916)	171,988
Rental of real property	72,000	72,000	56,832	(15,168)	78,005
	<u>197,000</u>	<u>197,000</u>	<u>159,916</u>	<u>(37,084)</u>	<u>249,993</u>

LICENSES AND PERMITS

Business and occupational licenses	95,100	95,100	96,065	965	92,165
Building permits	425,000	425,000	789,422	364,422	339,533
Other permits and licenses	161,000	161,000	163,070	2,070	178,633
	<u>681,100</u>	<u>681,100</u>	<u>1,048,557</u>	<u>367,457</u>	<u>610,331</u>

FINES AND FORFEITURES

Fines and forfeited bail	415,000	415,000	389,356	(25,644)	360,657
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SALE OF PROPERTY AND COMPENSATION FOR LOSS

Sale of equipment	1,000	1,000	17,000	16,000	2,221
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STATE AID

Per capita	416,082	416,082	446,251	30,169	416,082
Mortgage tax	120,000	120,000	216,130	96,130	222,526
Public safety grants	123,335	123,335	498,156	374,821	212,117
	<u>659,417</u>	<u>659,417</u>	<u>1,160,537</u>	<u>501,120</u>	<u>850,725</u>

FEDERAL AID

Federal Food Program	45,000	45,000	-	(45,000)	-
Crime control	85,000	85,000	-	(85,000)	33,981
Department of Justice grants	50,000	50,000	16,702	(33,298)	89,126
	<u>180,000</u>	<u>180,000</u>	<u>16,702</u>	<u>(163,298)</u>	<u>123,107</u>

MISCELLANEOUS

Unclassified	20,000	20,000	35,133	15,133	53,110
Gifts and donations	12,000	12,000	1,799	(10,201)	75,107
	<u>32,000</u>	<u>32,000</u>	<u>36,932</u>	<u>4,932</u>	<u>128,217</u>

TOTAL REVENUES

	<u>29,664,781</u>	<u>29,664,781</u>	<u>25,973,732</u>	<u>(3,691,049)</u>	<u>29,553,617</u>
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Village of Spring Valley, New York

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget (Continued)

Year Ended May 31, 2018

(With Comparative Actuals for 2017)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2017 Actual
OTHER FINANCING SOURCES					
Bonds issued	-	-	-	-	914,000
Insurance recoveries	125,000	125,000	211,747	86,747	215,160
Transfers in					
Debt Service Fund	-	-	67,807	67,807	69,156
TOTAL OTHER FINANCING SOURCES	<u>125,000</u>	<u>125,000</u>	<u>279,554</u>	<u>154,554</u>	<u>1,198,316</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 29,789,781</u>	<u>\$ 29,789,781</u>	<u>\$ 26,253,286</u>	<u>\$ (3,536,495)</u>	<u>\$ 30,751,933</u>

See independent auditors' report.

Village of Spring Valley, New York

General Fund
 Schedule of Expenditures and Other Financing Uses Compared to Budget
 Year Ended May 31, 2018
 (With Comparative Actuals for 2017)

	Original Budget	Final Budget	Actual	Variance with Final Budget	2017 Actual
GENERAL GOVERNMENT SUPPORT					
Board of Trustees	\$ 113,028	\$ 113,028	\$ 103,587	\$ 9,441	\$ 103,584
Justice	630,883	630,883	543,835	87,048	572,660
Mayor	254,566	254,566	268,936	(14,370)	222,358
Auditor	58,455	58,455	25,000	33,455	58,680
Treasurer	369,764	369,764	279,540	90,224	297,617
Clerk	211,566	211,566	201,122	10,444	176,213
Assessment	-	-	53,809	(53,809)	105,790
Attorney	363,565	363,565	365,089	(1,524)	615,343
Buildings	440,422	440,422	487,785	(47,363)	489,936
Central garage	558,683	558,683	664,872	(106,189)	536,725
Central storeroom	16,926	16,926	16,601	325	16,703
Central mailing	16,000	16,000	21,377	(5,377)	17,251
Unallocated insurance	851,767	851,767	810,952	40,815	826,958
Municipal association dues	6,962	6,962	6,962	-	6,962
Taxes and assessments on real property	60,000	60,000	54,143	5,857	60,501
Refunds of real property taxes	-	-	489,927	(489,927)	707,893
Fiscal agent and financial advisor fees	10,000	10,000	-	10,000	47,976
Metropolitan Transportation Commuter Mobility Tax	35,000	35,000	31,089	3,911	35,238
Contingency account	360,000	360,000	-	360,000	-
	<u>4,357,587</u>	<u>4,357,587</u>	<u>4,424,626</u>	<u>(67,039)</u>	<u>4,898,388</u>
PUBLIC SAFETY					
Police department	9,386,406	9,386,406	8,896,283	490,123	8,544,002
Fire department	689,769	689,769	625,916	63,853	570,880
Traffic control	5,000	5,000	2,755	2,245	550
Control of animals	6,000	6,000	-	6,000	4,500
DARE Program	3,500	3,500	-	3,500	0
Safety inspection	401,182	401,182	388,492	12,690	344,361
Housing	255,135	255,135	250,388	4,747	210,670
Anti-Violence Program	135,000	135,000	82,824	52,176	167,804
Emergency operations	5,000	5,000	-	5,000	470
	<u>10,886,992</u>	<u>10,886,992</u>	<u>10,246,658</u>	<u>640,334</u>	<u>9,843,237</u>

HEALTH

Registrar of Vital Statistics	3,000	3,000	1,237	1,763	615
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TRANSPORTATION

Superintendent of Public Works	71,195	71,195	-	71,195	8,688
Street maintenance	1,491,666	1,491,666	1,667,641	(175,975)	1,475,092
Bus operations	171,165	171,165	179,182	(8,017)	203,822
Snow removal	130,000	130,000	129,010	990	120,132
Street lighting	225,000	225,000	233,462	(8,462)	238,869
Transportation aid	2,000	2,000	2,929	(929)	2,305
Parking	63,404	63,404	67,102	(3,698)	65,873
	<u>2,154,430</u>	<u>2,154,430</u>	<u>2,279,326</u>	<u>(124,896)</u>	<u>2,114,781</u>

ECONOMIC OPPORTUNITY AND DEVELOPMENT

Publicity	2,000	2,000	-	2,000	-
Federal Food Program	45,000	45,000	-	45,000	-
	<u>47,000</u>	<u>47,000</u>	<u>-</u>	<u>47,000</u>	<u>-</u>

CULTURE AND RECREATION

Parks and playgrounds	26,240	26,240	5,455	20,785	5,799
Youth programs	368,967	368,967	150,797	218,170	178,038
Civic center	29,000	29,000	30,676	(1,676)	25,311
King facility	142,000	142,000	129,025	12,975	34,500
Senior citizens	5,000	5,000	4,200	800	4,200
Adult recreation	114,453	114,453	112,692	1,761	73,455
	<u>685,660</u>	<u>685,660</u>	<u>432,845</u>	<u>252,815</u>	<u>321,303</u>

HOME AND COMMUNITY SERVICES

Zoning Board	6,000	6,000	5,695	305	6,970
Planning Board	42,000	42,000	65,884	(23,884)	70,579
Refuse and garbage	30,000	30,000	33,184	(3,184)	21,801
Emergency Tenant Protection Act	22,610	22,610	21,880	730	22,040
	<u>100,610</u>	<u>100,610</u>	<u>126,643</u>	<u>(26,033)</u>	<u>121,390</u>

(Continued)

Village of Spring Valley, New York

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget (Continued)

Year Ended May 31, 2018

(With Comparative Actuals for 2017)

	Original Budget	Final Budget	Actual	Variance with Final Budget	2017 Actual
EMPLOYEE BENEFITS					
State retirement	\$ 621,854	\$ 621,854	\$ 610,639	\$ 11,215	\$ 608,621
Police retirement	1,826,661	1,826,661	1,855,433	(28,772)	1,753,683
Fire service awards	70,000	70,000	80,673	(10,673)	84,096
Social security	820,000	820,000	793,170	26,830	811,593
Workers' compensation benefits	1,223,169	1,223,169	1,319,176	(96,007)	1,187,542
Life insurance	225,000	225,000	255,583	(30,583)	238,582
Unemployment benefits	27,000	27,000	25,232	1,768	8,933
Hospital and medical insurance	4,785,750	4,785,750	5,469,398	(683,648)	4,475,318
	<u>9,599,434</u>	<u>9,599,434</u>	<u>10,409,304</u>	<u>(809,870)</u>	<u>9,168,368</u>
TOTAL EXPENDITURES	27,834,713	27,834,713	27,920,639	(85,926)	26,468,082
OTHER FINANCING USES					
Transfers out					
Debt Service Fund	<u>2,274,156</u>	<u>2,274,156</u>	<u>2,199,156</u>	<u>75,000</u>	<u>1,885,787</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 30,108,869</u>	<u>\$ 30,108,869</u>	<u>\$ 30,119,795</u>	<u>\$ (10,926)</u>	<u>\$ 28,353,869</u>

See independent auditors' report.

Village of Spring Valley, New York

Section 8 - Housing Assistance Fund
Comparative Balance Sheet
May 31,

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and equivalents	\$ 1,275,558	\$ 1,017,562
Accounts receivable	6,294	-
Due from other governments	<u>2,416</u>	<u>-</u>
Total Assets	<u>\$ 1,284,268</u>	<u>\$ 1,017,562</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 58,361	\$ 61,323
Due to other governments	<u>380,687</u>	<u>292,457</u>
Total Liabilities	439,048	353,780
Fund balance		
Restricted	<u>845,220</u>	<u>663,782</u>
Total Liabilities and Fund Balance	<u>\$ 1,284,268</u>	<u>\$ 1,017,562</u>

See independent auditors' report.

Village of Spring Valley, New York

Section 8 - Housing Assistance Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balance
Years Ended May 31,

	<u>2018</u>	<u>2017</u>
REVENUES		
Use of money and property	\$ 1,533	\$ 1,472
Federal aid	8,088,672	8,983,535
Miscellaneous	<u>86,006</u>	<u>106,196</u>
 Total Revenues	 8,176,211	 9,091,203
 EXPENDITURES		
Current		
Economic opportunity and development	<u>7,994,773</u>	<u>8,890,037</u>
 Excess of Revenues Over Expenditures	 181,438	 201,166
 FUND BALANCE		
Beginning of Year	<u>663,782</u>	<u>462,616</u>
 End of Year	 <u><u>\$ 845,220</u></u>	 <u><u>\$ 663,782</u></u>

See independent auditors' report.

Village of Spring Valley, New York

Capital Projects Fund
Comparative Balance Sheet
May 31,

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and equivalents	\$ 525,777	\$ 3,356,094
Investments	<u>2,987</u>	<u>2,987</u>
Receivables		
Accounts	-	2,286
Due from other funds	<u>6,488,889</u>	<u>6,488,889</u>
	<u>6,488,889</u>	<u>6,491,175</u>
Total Assets	<u>\$ 7,017,653</u>	<u>\$ 9,850,256</u>
LIABILITIES AND FUND DEFICIT		
Liabilities		
Accounts payable	\$ 428	\$ -
Due to other funds	<u>10,461,340</u>	<u>10,435,664</u>
Total Liabilities	10,461,768	10,435,664
Fund deficit		
Unassigned	<u>(3,444,115)</u>	<u>(585,408)</u>
Total Liabilities and Fund Deficit	<u>\$ 7,017,653</u>	<u>\$ 9,850,256</u>

See independent auditors' report.

Village of Spring Valley, New York

Capital Projects Fund
Comparative Statement of Revenues, Expenditures and Changes
in Fund Balance
Years Ended May 31,

	<u>2018</u>	<u>2017</u>
REVENUES		
State aid	\$ 25,676	\$ 282,117
Miscellaneous	<u>-</u>	<u>63</u>
Total Revenues	<u>25,676</u>	<u>282,180</u>
EXPENDITURES		
Capital outlay	<u>2,858,707</u>	<u>2,366,605</u>
Deficiency of Revenues Over Expenditures	<u>(2,833,031)</u>	<u>(2,084,425)</u>
OTHER FINANCING SOURCES (USES)		
Bonds issued	-	3,630,000
Transfers out	<u>(25,676)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(25,676)</u>	<u>3,630,000</u>
Net Change in Fund Balance	(2,858,707)	1,545,575
FUND DEFICIT		
Beginning of Year	<u>(585,408)</u>	<u>(2,130,983)</u>
End of Year	<u>\$ (3,444,115)</u>	<u>\$ (585,408)</u>

See independent auditors' report.

Village of Spring Valley, New York

Debt Service Fund
Comparative Balance Sheet
May 31,

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and equivalents	\$ 28	\$ 28
Due from other funds	<u>797,959</u>	<u>840,089</u>
 Total Assets	 <u>\$ 797,987</u>	 <u>\$ 840,117</u>
 FUND BALANCE		
Restricted	 <u>\$ 797,987</u>	 <u>\$ 840,117</u>

See independent auditors' report.

Village of Spring Valley, New York

Debt Service Fund
 Comparative Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 Years Ended May 31,

	2018			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Debt service				
Serial bonds				
Principal	1,775,000	1,775,000	1,664,000	111,000
Interest	450,000	450,000	535,155	(85,155)
Refunding bond issuance costs	-	-	-	-
Total Expenditures	<u>2,225,000</u>	<u>2,225,000</u>	<u>2,199,155</u>	<u>25,845</u>
Deficiency of Revenues Over Expenditures	<u>(2,225,000)</u>	<u>(2,225,000)</u>	<u>(2,199,155)</u>	<u>25,845</u>
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	-	-	-	-
Issuance premiums	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers in	2,225,000	2,225,000	2,224,831	(169)
Transfers out	-	-	(67,806)	(67,806)
Total Other Financing Sources	<u>2,225,000</u>	<u>2,225,000</u>	<u>2,157,025</u>	<u>(67,975)</u>
Net Change in Fund Balance	-	-	(42,130)	(42,130)
FUND BALANCE				
Beginning of Year	-	-	840,117	840,117
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 797,987</u>	<u>\$ 797,987</u>

See independent auditors' report.

2017

Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -
1,715,000	1,715,000	1,445,000	270,000
549,445	549,445	440,787	108,658
-	71,495	71,495	-
<u>2,264,445</u>	<u>2,335,940</u>	<u>1,957,282</u>	<u>378,658</u>
<u>(2,264,445)</u>	<u>(2,335,940)</u>	<u>(1,957,282)</u>	<u>378,658</u>
-	1,210,000	1,210,000	-
-	107,381	107,381	-
-	(1,245,886)	(1,245,886)	-
2,264,445	2,264,445	1,885,787	(378,658)
-	-	(69,156)	(69,156)
<u>2,264,445</u>	<u>2,335,940</u>	<u>1,888,126</u>	<u>(447,814)</u>
-	-	(69,156)	(69,156)
-	-	909,273	909,273
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 840,117</u>	<u>\$ 840,117</u>

Village of Spring Valley, New York

Combining Balance Sheet
 Non-Major Governmental Funds
 May 31, 2018
 (With Comparative Totals for 2017)

	Community Development	Special Purpose	Total Non-Major Governmental Funds	
			2018	2017
ASSETS				
Cash and equivalents	\$ 76,856	\$ 1,334	\$ 78,190	\$ 86,500
Accounts receivable	-	664	664	664
Total Assets	\$ 76,856	\$ 1,998	\$ 78,854	\$ 87,164
LIABILITIES AND FUND BALANCES (DEFICITS)				
Liabilities				
Accounts payable	\$ 3,000	\$ 559	\$ 3,559	\$ 3,559
Due to other funds	9,573	25,000	34,573	34,573
Unearned revenues	45,798	-	45,798	45,798
Total Liabilities	58,371	25,559	83,930	83,930
Fund balances (deficits)				
Restricted	18,485	-	18,485	22,778
Unassigned	-	(23,561)	(23,561)	(19,544)
Total Fund Balances (Deficits)	18,485	(23,561)	(5,076)	3,234
Total Liabilities and Fund Balances (Deficits)	\$ 76,856	\$ 1,998	\$ 78,854	\$ 87,164

See independent auditors' report.

Village of Spring Valley, New York

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances
Non-Major Governmental Funds
Year Ended May 31, 2018
(With Comparative Totals for 2017)

	Community Development	Special Purpose	Total Non-Major Governmental Funds	
			2018	2017
REVENUES				
Use of money and property	\$ -	\$ -	\$ -	\$ 2
Federal aid	-	-	-	251,000
Miscellaneous	1,075	14,950	16,025	2,600
Total Revenues	1,075	14,950	16,025	253,602
EXPENDITURES				
Current				
Culture and recreation	-	18,967	18,967	19,693
Home and community services	5,368	-	5,368	245,698
Total Expenditures	5,368	18,967	24,335	265,391
Excess (Deficiency) of Revenues Over Expenditures	(4,293)	(4,017)	(8,310)	(11,789)
FUND BALANCES (DEFICITS)				
Beginning of Year	22,778	(19,544)	3,234	15,023
End of Year	\$ 18,485	\$ (23,561)	\$ (5,076)	\$ 3,234

See independent auditors' report.

Village of Spring Valley, New York

Community Development Fund
Combining Balance Sheet - Sub-Funds
May 31, 2018
(With Comparative Totals for 2017)

	Federal Program	County Program	Elderly Emergency Home Repair Program
ASSETS			
Cash and equivalents	\$ 49,275	\$ 25,201	\$ 2,380
	<u>49,275</u>	<u>25,201</u>	<u>2,380</u>
LIABILITIES AND FUND BALANCES (DEFICITS)			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 3,000
Due to other funds	3,073	-	6,500
Unearned revenues	-	28,824	16,974
	<u>-</u>	<u>28,824</u>	<u>16,974</u>
Total Liabilities	3,073	28,824	26,474
Fund balances (deficits)			
Restricted	46,202	(3,623)	(24,094)
	<u>46,202</u>	<u>(3,623)</u>	<u>(24,094)</u>
Total Liabilities and Fund Balances (Deficits)	\$ 49,275	\$ 25,201	\$ 2,380
	<u>49,275</u>	<u>25,201</u>	<u>2,380</u>

See independent auditors' report.

Totals	
2018	2017
\$ 76,856	\$ 81,149
\$ 3,000	\$ 3,000
9,573	9,573
45,798	45,798
58,371	58,371
18,485	22,778
\$ 76,856	\$ 81,149

Village of Spring Valley, New York

Community Development Fund
 Combining Schedule of Revenues, Expenditures
 and Changes in Fund Balances - Sub-Funds
 Year Ended May 31, 2018
 (With Comparative Totals for 2017)

	Federal Program	County Program	Elderly Emergency Home Repair Program
REVENUES			
Use of money and property	\$ -	\$ -	\$ -
Federal aid	-	-	-
Miscellaneous	-	-	1,075
	<u>-</u>	<u>-</u>	<u>1,075</u>
Total Revenues	-	-	1,075
EXPENDITURES			
Current			
Home and community services	-	4,293	1,075
	<u>-</u>	<u>4,293</u>	<u>1,075</u>
Excess (Deficiency) of Revenues Over Expenditures	-	(4,293)	-
FUND BALANCES (DEFICITS)			
Beginning of Year	<u>46,202</u>	<u>670</u>	<u>(24,094)</u>
End of Year	<u>\$ 46,202</u>	<u>\$ (3,623)</u>	<u>\$ (24,094)</u>

See independent auditors' report.

Totals	
2018	2017
\$ -	\$ 2
-	251,000
<u>1,075</u>	<u>-</u>
1,075	251,002
 <u>5,368</u>	 <u>245,698</u>
(4,293)	5,304
 <u>22,778</u>	 <u>17,474</u>
<u><u>\$ 18,485</u></u>	<u><u>\$ 22,778</u></u>

Village of Spring Valley, New York

Special Purpose Fund
Comparative Balance Sheet
May 31,

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and equivalents	\$ 1,334	\$ 5,351
Accounts receivable	<u>664</u>	<u>664</u>
Total Assets	<u>\$ 1,998</u>	<u>\$ 6,015</u>
LIABILITIES AND FUND DEFICIT		
Liabilities		
Accounts payable	\$ 559	\$ 559
Due to other funds	<u>25,000</u>	<u>25,000</u>
Total Liabilities	25,559	25,559
Fund deficit		
Unassigned	<u>(23,561)</u>	<u>(19,544)</u>
Total Liabilities and Fund Deficit	<u>\$ 1,998</u>	<u>\$ 6,015</u>

See independent auditors' report.

Village of Spring Valley, New York

Special Purpose Fund
Comparative Statement of Revenues, Expenditures and Changes
in Fund Balance
Years Ended May 31,

	<u>2018</u>	<u>2017</u>
REVENUES		
Miscellaneous	\$ 14,950	\$ 2,600
EXPENDITURES		
Current		
Culture and recreation	<u>18,967</u>	<u>19,693</u>
Deficiency of Revenues Over Expenditures	(4,017)	(17,093)
FUND DEFICIT		
Beginning of Year	<u>(19,544)</u>	<u>(2,451)</u>
End of Year	<u><u>\$ (23,561)</u></u>	<u><u>\$ (19,544)</u></u>

See independent auditors' report.

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**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in Accordance
With Government Auditing Standards**

Independent Auditors' Report

**The Honorable Mayor and Board of Trustees of the
Village of Spring Valley, New York**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Village of Spring Valley, New York ("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, and have issued our report thereon dated March 2, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

March 2, 2021



**Report on Compliance For Each Major Federal Program and Report on
Internal Control Over Compliance Required by
the Uniform Guidance**

Independent Auditors' Report

**The Honorable Mayor and Board of Trustees
of the Village of Spring Valley, New York**

Report on Compliance for Each Major Federal Program

We have audited the Village of Spring Valley, New York's ("Village") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Village's major federal programs for the year ended May 31, 2018. The Village's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the Federal statutes, requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Village's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Village's compliance.

Basis for Qualified Opinion on CFDA 14.871 Section 8 Housing Choice Vouchers Program

As described in Findings 2018-001 and 2018-002 in the accompanying schedule of findings and questioned costs, the Village did not comply with requirements regarding the following:

Finding #	CFDA #	Program Name	Compliance Requirement
2018-001	14.871	Section 8 Housing Choice Vouchers	Reporting
2018-002	14.871	Section 8 Housing Choice Vouchers	Special Test and Provisions

Compliance with such requirements is necessary, in our opinion, for the Village to comply with the requirements applicable to the program.

Qualified Opinion on Section 8 Housing Choice Vouchers Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Village complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Section 8 Housing Choice Vouchers Program for the year ended May 31, 2018.

Other Matters

The Village’s response to the noncompliance findings identified in our audit is described in a separate corrective action plan. The Village’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the Village is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Village’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village’s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002 to be material weaknesses.

Purpose of this Report

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

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

March 2, 2021

Village of Spring Valley, New York

Schedule of Expenditures of Federal Awards
Year Ended May 31, 2018

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number (1)</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Provided to Sub- recipients</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>				
Direct Program				
Section 8 Housing Choice Vouchers Program	14.871	N/A	N/A	<u>\$ 7,994,773</u>
<u>U.S. Department of Justice</u>				
Direct Programs				
Edward Byrne Memorial Justice Assistance Grant	16.738	N/A	N/A	15,540
Bulletproof Vest Partnership Program	16.607	N/A	N/A	398
Equitable Sharing Program	16.922	N/A	N/A	<u>764</u>
Total U.S. Department of Justice				<u>16,702</u>
Total Expenditures of Federal Awards				<u>\$ 8,011,475</u>

(1) Catalog of Federal Domestic Assistance number.
N/A - Not Available

The accompanying notes are an integral part of this schedule.

Village of Spring Valley, New York

Notes to Schedule of Expenditures of Federal Awards
Year Ended May 31, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Village of Spring Valley, New York ("Village") under programs of the federal government for the year ended May 31, 2018. Federal awards received directly from the Federal agencies as well as Federal awards passed through other government agencies are included in the Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position, changes in net position of the Village.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

The Village has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Village of Spring Valley, New York

Schedule of Findings and Questioned Costs
Year Ended May 31, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditors' issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major federal programs:

Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Federal Program or Cluster</u>
14.871	Section 8 Housing Choice Voucher Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

Section II - Financial Statement Findings

None reported.

Village of Spring Valley, New York

Schedule of Findings and Questioned Costs
Year Ended May 31, 2018

Section III - Federal Awards Findings and Questioned Costs

Finding 2018-001: Financial Reporting Requirements for Financial Assessment Submission-PHA (“FASPHA”)

Federal Agency: U.S. Department of Housing and Urban Development
CFDA 14.871, Section 8 Housing Choice Vouchers

Criteria:

The Financial Assessment Sub-system, FASS-PH and (24 CFR section 5.801) require PHAs to submit timely GAAP-based unaudited and audited financial information electronically to HUD. The FASS-PH system is one of HUD's main monitoring and oversight systems for the Housing Choice Voucher Program (“HCVP”).

Condition:

PHA Management has not filed the audited data for the years 2009 through 2017. This condition continues from previous years. Reference prior year finding 2017-001.

Cause:

PHA management uses an outside accounting service to submit the required information to the Financial Assessment Sub-system. Since 2009 only unaudited data has been submitted by the outside accounting service. The outside service has not reconciled and reported the audited data.

Effect:

Since the required audited information has not been submitted to the FASS-PH System, as the PHA's Independent Public Accountant, (“IPA”) we have not been able to verify that the actual audit information was correctly entered into the system. We are not able to certify and agree to the PHA's submission.

Recommendation:

Management must comply with the requirements to submit timely GAAP-based unaudited and audited financial information to the FASS-PH system.

Finding 2018-002: Rolling Forward Equity Balances

Federal Agency: U.S. Department of Housing and Urban Development
CFDA 14.871, Section 8 Housing Choice Vouchers

Criteria:

PHAs are required to maintain complete and accurate accounts. HUD enters into an Annual Contributions Contract (“ACC”). The ACC requires the PHA to properly account for program activity. Proper accounting requires that (1) account balances are properly maintained, (2) records and accounting transactions support a proper roll-forward of equity, and (3) errors are corrected as detected.

Village of Spring Valley, New York

Schedule of Findings and Questioned Costs
Year Ended May 31, 2018

Section III - Federal Awards Findings and Questioned Costs (Continued)

Finding 2018-002: Rolling Forward Equity Balances (Continued)

Condition:

The unaudited year end working trial balance reflected total positive equity of \$55,011 and did not reflect correct HAP and Administrative Fee equity balances. This condition continues from previous years. Reference prior year finding 2017-002.

Cause:

PHA management is not making the proper entries to ensure the HAP and Administrative Fee equity balances are stated correctly.

Effect:

This could result in the PHA not being funded correctly and may result in HUD's Office of Inspector General findings against the PHAs.

Recommendation:

PHA management must close the books each year and ensure that the HAP and Administrative Fee equity accounts are properly stated.

Village of Spring Valley, New York

Summary Schedule of Prior Year Findings
Year Ended May 31, 2018

Section II - Financial Statement Findings

None reported.

Section III - Federal Awards Findings and Questioned Costs

Finding 2017-001: Financial Reporting Requirements for Financial Assessment Submission-PHA (FASPHA)

Status: This condition continues and is repeated as finding 2018-001

Finding 2017-002: Rolling Forward Equity Balances

Status: This condition continues and is repeated as finding 2018-002