

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
AUDIT REPORT
FOR THE YEAR ENDED
MAY 31, 2021**



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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members
of the Village Board
Village of Montgomery
Montgomery, New York

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Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Village of Montgomery, as of and for the year ended May 31, 2021, 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 of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with accounting principles 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Village of Montgomery, as of May 31, 2021, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, management has adopted Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to that matter.

Other Matters*Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 3 through 16 and 66 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Montgomery's basic financial statements. The other supplementary information on pages 72 and 73 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2021 on our consideration of the Village's internal control over financial reporting and 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 internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering Village of Montgomery's internal control over financial reporting.



Montgomery, New York
November 10, 2021

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
MAY 31, 2021**

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MAY 31, 2021**

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**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2021**

The following is a discussion and analysis of the Village of Montgomery's financial performance for the year ended May 31, 2021. The Village of Montgomery discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Village's financial activity, (c) identify changes in the Village's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

This section is a summary of the Village's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the Village's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the Village of Montgomery exceeded its assets and deferred outflows of resources at the close of the fiscal years 2021 and 2020 by \$2,975,127 and \$2,286,615 (net position) respectively.
- As of the close of the current fiscal year, the Village of Montgomery's General fund reported an ending fund balance of \$969,493.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$344,493.
- During the year long-term debt decreased by \$173,900 (14.06%).

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are *government-wide* financial statements that provide both short-term and long-term information about the Village's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Village, reporting the Village's operations in more detail than the government-wide statements. The fund financial statements concentrate on the Village's most significant funds.
- The *government fund statements* tell how basic services such as water was financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Village's budget for the year.

Figure A-1 summarizes the major features of the Village's financial statements, including the portion of the Village's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2021**

Figure A-1

Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide	Fund Financial Statements
		Governmental Funds
Scope	Entire Government (except fiduciary funds)	The activities of the Village that are not proprietary or fiduciary, such as general support, police protection, building code enforcement, planning and zoning, and various other services
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/liability information	All asset, deferred outflows of resources, liabilities and deferred inflows of resources both financial and capital, short-term and long-term	Generally assets, and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2021**

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Village's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Village's net position and how it has changed. Net position, the difference between the Village's assets and liabilities, is one way to measure the Village's financial health or position.

- Over time, increases or decreases in the Village's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Village's overall health, you need to consider additional non-financial factors such as changes in the Village's property tax base and the condition of facilities and infrastructures.

In the government-wide financial statements, the Village's activities are shown as governmental activities. Most of the Village's basic services are included here, such as water services (home and community services), road maintenance (transportation), and administration (general governmental support). Property taxes and charges for services finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on its most significant or "major" funds - not the Village as a whole. Funds are accounting devices the Village uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The Village establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues.

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2021**

The Village has one kind of fund:

- **Governmental Funds:** Most of the Village's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciling statements (Statement 4 and Statement 6) have been added to explain the relationship (or differences) between them.

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2021**

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

The Village's net position at the fiscal year end is \$(2,975,127). The following table provides a summary of the Village's net position:

Figure A-2

Condensed Statement of Net Position	2021
Current Assets	\$ 1,955,767
Non-Current Assets	4,595,409
Total Assets	6,551,176
Deferred Outflows	3,289,513
Current Liabilities	740,820
Non-Current Liabilities	8,978,921
Total Liabilities	9,719,741
Deferred Inflows	3,096,075
Net Investment in Capital Assets	3,532,709
Restricted	461,756
Unrestricted	(6,969,592)
Total Net Position (Deficit)	\$ (2,975,127)

The schedule on the following page and supporting graphs provides a summary of revenues, expenses and changes in net position for the fiscal years ended May 31, 2021:

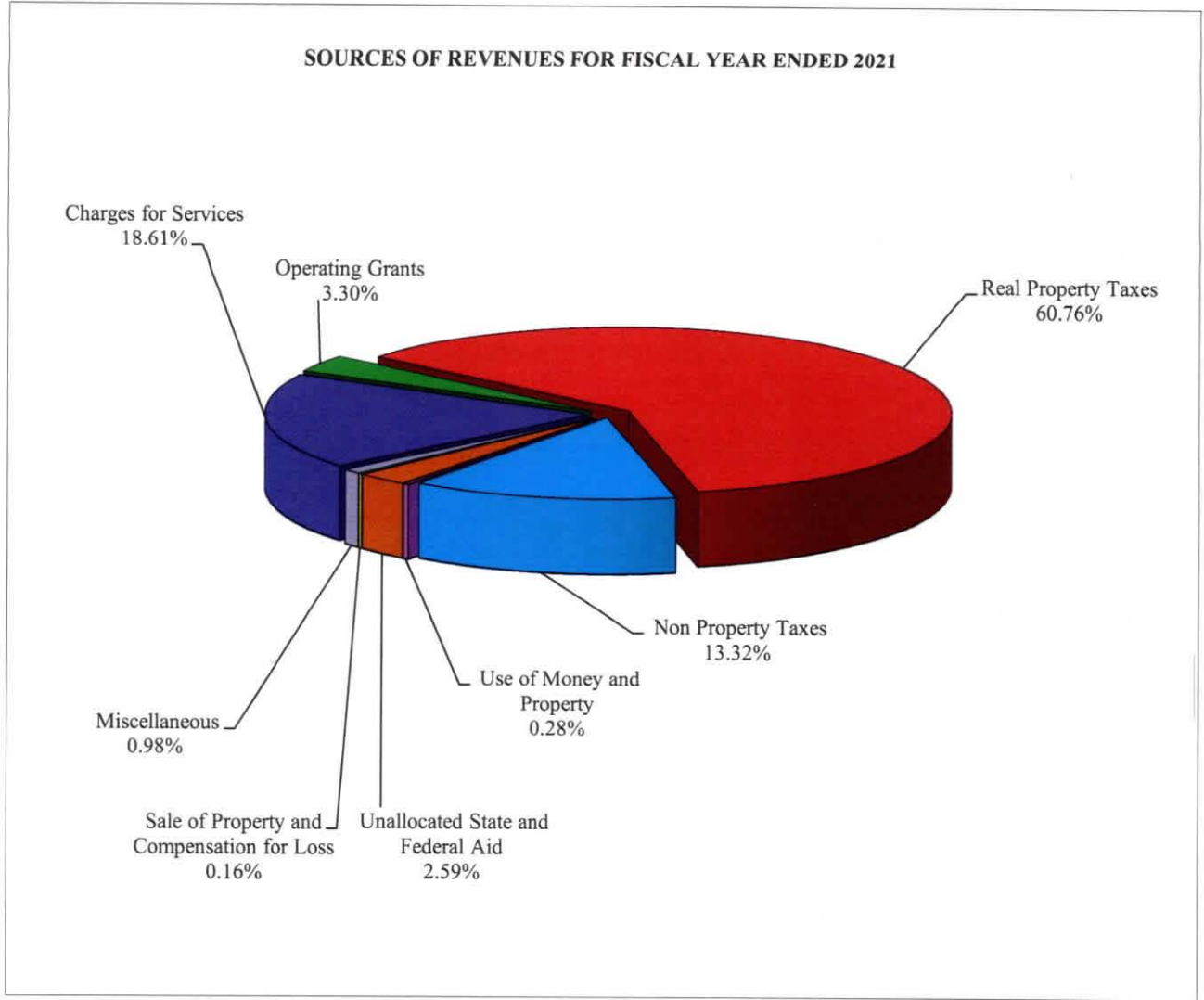
VILLAGE OF MONTGOMERY
MONTGOMERY, NY
STATEMENT OF ACTIVITIES
SUMMARY OF CHANGES IN NET POSITION

Figure A-3

	2021	
	<u>Amount</u>	<u>%</u>
REVENUES (Chart Figure A-4)		
PROGRAM REVENUES		
Charges for Services	\$ 918,642	18.61%
Operating Grants	162,739	3.30%
GENERAL REVENUES		
Real Property Taxes	3,000,082	60.76%
Non Property Taxes	657,866	13.32%
Use of Money and Property	14,066	0.28%
Unallocated State and Federal Aid	127,687	2.59%
Sale of Property and		
Compensation for Loss	8,109	0.16%
Miscellaneous	48,410	0.98%
	<u>4,937,601</u>	<u>100.00%</u>
EXPENDITURES (Chart Figure A-5)		
General Government	641,465	11.40%
Public Safety	983,862	17.49%
Health	4,163	0.07%
Transportation	681,923	12.12%
Culture and Recreation	287,720	5.11%
Home and Community Services	429,732	7.64%
Water Utilities	254,364	4.52%
Sewer Utilities	415,831	7.39%
Interest on Debt	29,485	0.52%
Employee Benefits	1,570,257	27.91%
Depreciation	327,311	5.82%
	<u>5,626,113</u>	<u>100.00%</u>
INCREASE (DECREASE)		
IN NET POSITION	<u><u>\$ (688,512)</u></u>	

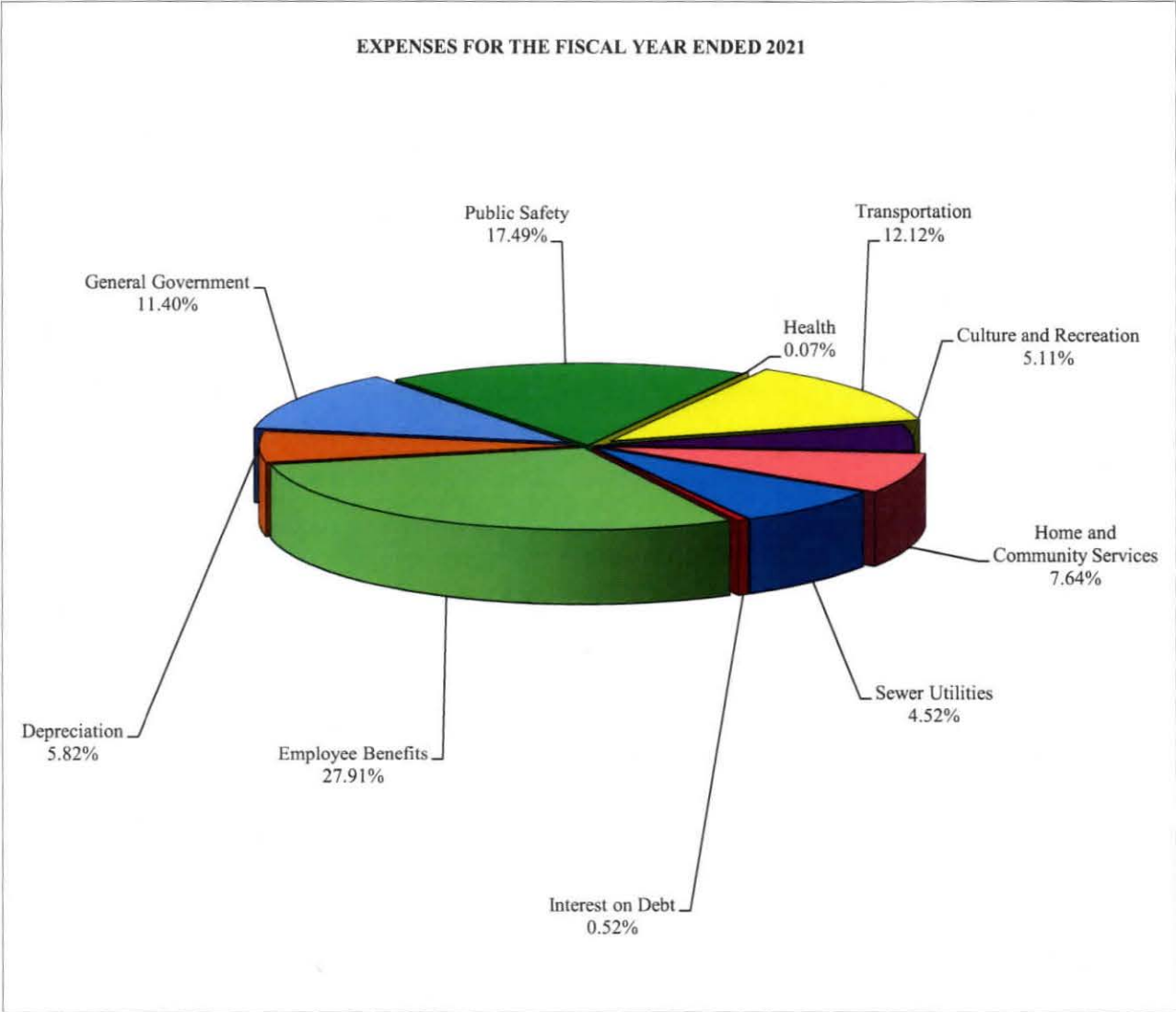
VILLAGE OF MONTGOMERY
MONTGOMERY, NY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Figure A-4



VILLAGE OF MONTGOMERY
MONTGOMERY, NY
MANAGEMENT'S DISCUSSION AND ANALYSIS

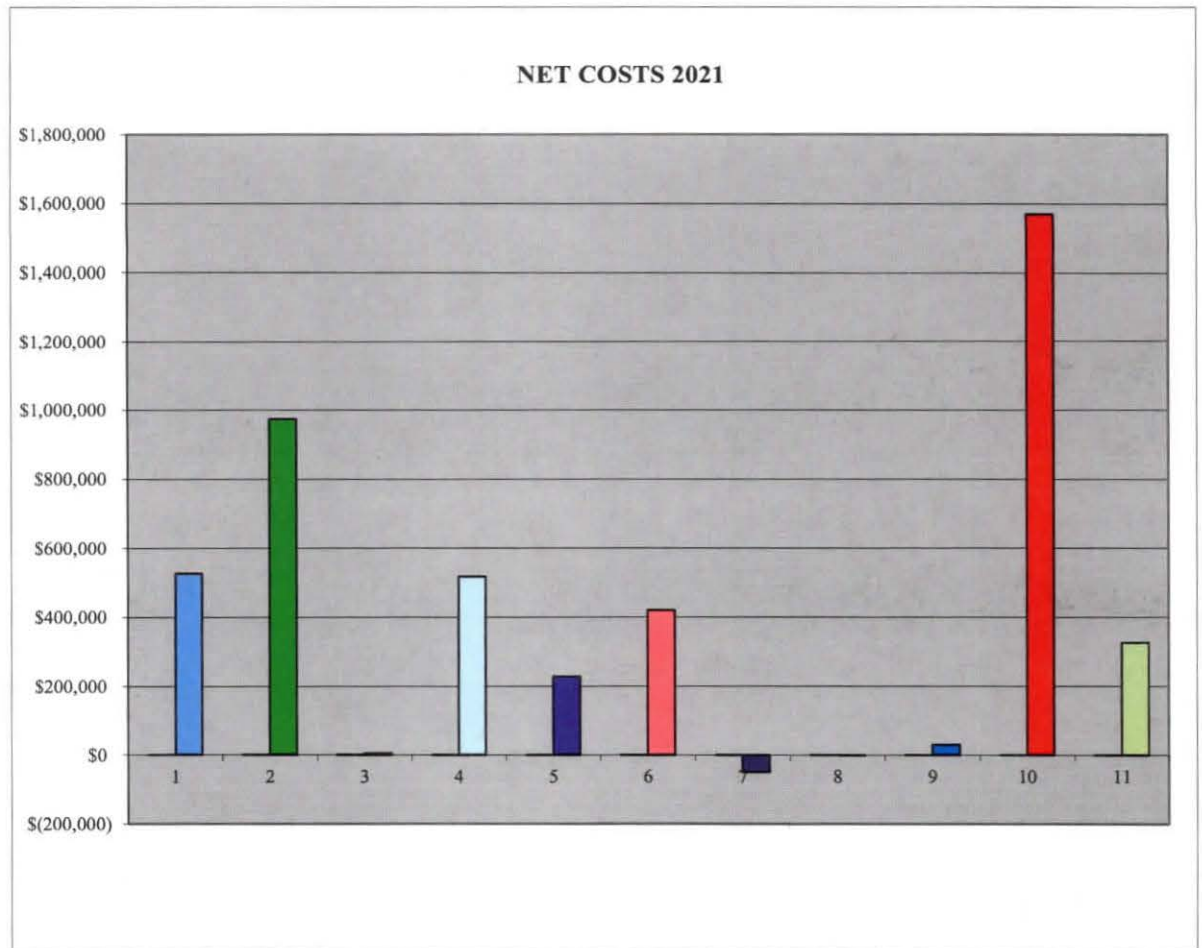
Figure A-5



VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS

Figure A-6

PROGRAMS		Total Costs of Services 2021	Net Costs of Services 2021
1	General Government	\$ 641,465	\$ 527,102
2	Public Safety	983,862	973,162
3	Health	4,163	4,163
4	Transportation	681,923	517,834
5	Culture and Recreation	287,720	227,285
6	Home and Community Services	429,732	419,626
7	Water Utilities	254,364	(50,279)
8	Sewer Utilities	415,831	(1,214)
9	Interest on Debt	29,485	29,485
10	Employee Benefits	1,570,257	1,570,257
11	Depreciation	327,311	327,311
Total Costs		\$ 5,626,113	\$ 4,544,732



**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2021**

Figure A-6 (Continued)

Total costs of services provided by the Village (Figure A-6) for the fiscal year ended May 31, 2021 and 2020 was \$5,626,113. These charges were offset by charges and services of \$918,642, and grants and contributions of \$162,739, resulting in net cost of services of \$4,544,732.

The Village's governmental funds are reported in the fund statements with a modified accrual basis that uses a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. The major governmental funds of the Village consist of the General Fund, Capital Fund, Sewer Fund, Community Development Fund, and Water Fund. The total fund balances allocated between restricted, assigned, and unassigned fund balance for each of these funds is as follows:

Figure A-7

	May 31, 2021		
	Restricted	Assigned	Unassigned
General	\$ 0	\$ 625,000	\$ 344,493
Capital Projects	0	0	(440,604)
Water	103,316	109,318	0
Sewer	358,440	125,000	0
Community Development	0	0	0
	\$ 461,756	\$ 859,318	\$ (96,111)

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2021**

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Village revised the general fund budgets to reflect additional changes in budgeted revenues and expenditures. Actual revenues were less than revised budget estimates by \$59,655 and actual expenditures were less than budgeted expenditures by \$804,729. Figure A-8 summarizes the general funds original and revised budgets, actual expenditures and the variances for the year ended May 31, 2021.

Figure A-8

Condensed Budgetary Comparison General Fund	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real property taxes	\$ 2,956,700	\$ 2,956,700	\$ 2,956,700	\$ 0
Real property tax items	43,635	43,635	43,383	(252)
Non property taxes	727,710	727,710	657,866	(69,844)
State and Federal Aid	109,677	109,677	221,501	111,824
Departmental income	261,650	261,650	82,591	(179,059)
All other	105,000	105,000	182,676	77,676
Total Revenues	\$ 4,204,372	\$ 4,204,372	\$ 4,144,717	\$ (59,655)
Other financing sources	\$ 675,000	\$ 675,000	\$ 0	
EXPENDITURES				
General government support	\$ 855,497	\$ 855,497	\$ 632,573	\$ 222,924
Public safety	1,085,306	1,085,306	961,872	123,434
Health	10,603	10,603	4,163	6,440
Transportation	882,274	882,274	727,509	154,765
Culture & recreation	416,800	416,800	218,709	198,091
Home & community service	434,254	434,254	378,943	55,311
Employee benefits	1,042,800	1,042,800	1,000,256	42,544
Debt service	151,838	151,838	150,618	1,220
Total Expenditures	\$ 4,879,372	\$ 4,879,372	\$ 4,074,643	\$ 804,729

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2021**

CAPITAL ASSETS

The Village records expenditures for land, buildings, equipment, machinery and infrastructures (roads and water systems) as capital assets in the Statement of Net Position. Annual depreciation expense is recorded in the Statement of Activities to reflect the use of these assets over their useful lives. Land and construction in progress are not subject to depreciation. The Village's depreciation methods, assumptions regarding useful lives and capitalization thresholds are described in Notes 1 and 6 in the Notes to the Financial Statements.

Under the implementation standards of GASB 34, the Village is considered a small government, and as such is required only to recognize infrastructures on a prospective (going forward) basis. The Village has maintained detailed, separate records of infrastructure additions since 2003. The Village has elected to include infrastructure additions since 2003 in the capital assets section of the Statement of Net Position, as management believes their inclusion provides the reader with a more complete accounting of the Village's investment in capital resources.

In 2021, the Village expended \$217,724 on capital additions. Figure A-9 reflects the changes in net capital assets.

Figure A-9

Changes in Net Capital Assets	Governmental Activities		Total
	2021	2020	Dollar Change
Land	\$ 1,087,800	\$ 1,087,800	\$ 0
Land Improvements	93,222	76,971	16,251
Buildings	1,881,959	1,972,353	(90,394)
Infrastructure	1,074,724	1,033,496	41,228
Machinery and Equipment	457,704	534,376	(76,672)
Total	\$ 4,595,409	\$ 4,704,996	\$ (109,587)

Major additions in 2021 included:

Land Improvements	\$ 28,289
Infrastructure	76,917
Machinery & Equipment	<u>112,518</u>
Total	<u>\$ 217,724</u>

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2021**

DEBT ADMINISTRATION

Debt, both short-term and long-term, decreased by \$173,900 during 2021.

Detailed information regarding the Village's short and long-term debt are presented in more detail in Note 7 in the current year's notes to the financial statements. Figure A-10 reflects the changes in the Village's debt for 2021.

Figure A-10

Outstanding Debt	Governmental Activities		Total Dollar Change
	2021	2020	
Bond Anticipation Notes	\$ 510,200	\$ 630,600	\$ (120,400)
Serial Bonds	552,500	606,000	(53,500)
Total	\$ 1,062,700	\$ 1,236,600	\$ (173,900)

FINANCIAL CONTACT

The Village's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Village's finances and to demonstrate the Village's accountability. If you have questions about the report or need additional financial information, contact Steve Brescia, Village Mayor, Village of Montgomery, 133 Clinton St., Montgomery, New York 12549.

VILLAGE OF MONTGOMERY
MONTGOMERY, NY
STATEMENT OF NET POSITION
MAY 31, 2021

ASSETS

Unrestricted Cash	\$ 1,568,724
Restricted Cash	135,694
Accounts Receivable, net	88,610
State and Federal Aid Receivable	162,739
Non Depreciable Capital Assets	1,087,800
Depreciable Capital Assets, Net	3,507,609
TOTAL ASSETS	<u>6,551,176</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	1,682,145
Other Postemployment Benefits	1,607,368
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>3,289,513</u>

LIABILITIES

Current Liabilities:

Accounts Payable	120,642
Accrued Liabilities	55,870
Due to Other Governments	54,108
Bond Anticipation Notes Payable	510,200

Long-Term Liabilities:

Due and Payable Within One Year:	
Bonds Payable	41,500
Due and Payable More Than One Year:	
Bonds Payable	511,000
Net Pension Liability - Proportionate Share	331,716
Other Postemployment Benefits Payable	7,842,320
Compensated Absences	252,385
TOTAL LIABILITIES	<u>9,719,741</u>

DEFERRED INFLOWS OF RESOURCES

Pensions	2,209,374
Other Postemployment Benefits	886,701
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,096,075</u>

NET POSITION

Net Investment in Capital Assets	3,532,709
Restricted	461,756
Unrestricted (Deficit)	(6,969,592)
TOTAL NET POSITION (DEFICIT)	<u>\$ (2,975,127)</u>

See notes to financial statements.

VILLAGE OF MONTGOMERY
MONTGOMERY, NY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2021

	<u>Program Revenues</u>			Net (Expense) Revenue and Change in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
PRIMARY GOVERNMENT				
Governmental Activities:				
General Government	\$ (883,751)	\$ 114,363	\$ 0	\$ (769,388)
Public Safety	(1,917,707)	10,700	0	(1,907,007)
Health	(4,163)	0	0	(4,163)
Transportation	(910,247)	1,350	162,739	(746,158)
Culture and Recreation	(289,977)	60,435	0	(229,542)
Home and Community Services	(564,055)	10,106	0	(553,949)
Water Utilities	(403,710)	304,643	0	(99,067)
Sewer Utilities	(623,019)	417,045	0	(205,974)
Interest on Debt	(29,485)	0	0	(29,485)
TOTAL PRIMARY GOVERNMENT	<u>\$ (5,626,113)</u>	<u>\$ 918,642</u>	<u>\$ 162,739</u>	<u>(4,544,732)</u>
GENERAL REVENUES				
Real Property Taxes				2,956,699
Real Property Tax Items				43,383
Non Property Taxes				657,866
Use of Money and Property				14,066
Unallocated State and Federal Aid				127,687
Sale of Property and Compensation for Loss				8,109
Miscellaneous				48,410
TOTAL GENERAL REVENUES				<u>3,856,220</u>
CHANGE IN NET POSITION				(688,512)
NET POSITION - BEGINNING (DEFICIT)				<u>(2,286,615)</u>
NET POSITION - ENDING (DEFICIT)				<u>\$ (2,975,127)</u>

See notes to financial statements.

VILLAGE OF MONTGOMERY
MONTGOMERY, NY
BALANCE SHEET - GOVERNMENTAL FUNDS
MAY 31, 2021

	General	Community Development	Water	Sewer	Capital Projects	Total Governmental Funds
ASSETS						
Unrestricted Cash	\$ 973,686	\$ 0	\$ 183,501	\$ 411,537	\$ 0	\$ 1,568,724
Restricted Cash	0	0	10,998	55,100	69,596	135,694
Accounts Receivable, Net	9,362	0	33,767	45,481	0	88,610
Due from Other Funds	3,614	0	0	0	0	3,614
State and Federal Aid Receivable	162,739	0	0	0	0	162,739
TOTAL ASSETS	\$ 1,149,401	\$ 0	\$ 228,266	\$ 512,118	\$ 69,596	\$ 1,959,381
LIABILITIES						
Accounts Payable	\$ 83,383	\$ 0	\$ 11,336	\$ 25,923	\$ 0	\$ 120,642
Accrued Liabilities	42,417	0	2,296	1,141	0	45,854
Due to Other Funds	0	0	2,000	1,614	0	3,614
Deferred Revenues	54,108	0	0	0	0	54,108
Bond Anticipation Notes Payable	0	0	0	0	510,200	510,200
TOTAL LIABILITIES	179,908	0	15,632	28,678	510,200	734,418
FUND BALANCES						
Restricted	0	0	103,316	358,440	0	461,756
Assigned	625,000	0	109,318	125,000	0	859,318
Unassigned	344,493	0	0	0	(440,604)	(96,111)
TOTAL FUND BALANCES	969,493	0	212,634	483,440	(440,604)	1,224,963
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,149,401	\$ 0	\$ 228,266	\$ 512,118	\$ 69,596	\$ 1,959,381

See notes to financial statements.

VILLAGE OF MONTGOMERY
MONTGOMERY, NY
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MAY 31, 2021

	Total Governmental Funds	Long-Term Assets Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS				
Unrestricted Cash	\$ 1,568,724	\$ 0	\$ 0	\$ 1,568,724
Restricted Cash	135,694	0	0	135,694
State & Federal Aid Receivable	162,739	0	0	162,739
Due from Other Funds	3,614	0	(3,614)	0
Other Receivables, Net	88,610	0	0	88,610
Capital Assets, Net	0	4,595,409	0	4,595,409
TOTAL ASSETS	<u>1,959,381</u>	<u>4,595,409</u>	<u>(3,614)</u>	<u>6,551,176</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	0	1,682,145	0	1,682,145
Other Postemployment Benefits	0	1,607,368	0	1,607,368
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>0</u>	<u>3,289,513</u>	<u>0</u>	<u>3,289,513</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,959,381</u>	<u>\$ 7,884,922</u>	<u>\$ (3,614)</u>	<u>\$ 9,840,689</u>
LIABILITIES				
Accounts Payable	\$ 120,642	\$ 0	\$ 0	\$ 120,642
Accrued Liabilities	45,854	10,016	0	55,870
Bond Anticipation Notes Payable	510,200	0	0	510,200
Bond Payable	0	552,500	0	552,500
Due to Other Funds	3,614	0	(3,614)	0
Deferred Revenues	54,108	0	0	54,108
Net Pension Liability - Proportionate Share	0	331,716	0	331,716
Other Postemployment Benefits Payable	0	7,842,320	0	7,842,320
Compensated Absences Payable	0	252,385	0	252,385
TOTAL LIABILITES	<u>734,418</u>	<u>8,988,937</u>	<u>(3,614)</u>	<u>9,719,741</u>
DEFERRED INFLOWS OF RESOURCES				
Pensions	0	2,209,374	0	2,209,374
Other Postemployment Benefits	0	886,701	0	886,701
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>0</u>	<u>3,096,075</u>	<u>0</u>	<u>3,096,075</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	734,418	12,085,012	(3,614)	12,815,816
TOTALS FUND EQUITY/NET POSITION	<u>1,224,963</u>	<u>(4,200,090)</u>	<u>0</u>	<u>(2,975,127)</u>
TOTAL LIABILITIES AND FUND EQUITY/NET POSITION	<u>\$ 1,959,381</u>	<u>\$ 7,884,922</u>	<u>\$ (3,614)</u>	<u>\$ 9,840,689</u>

See notes to financial statements.

VILLAGE OF MONTGOMERY
MONTGOMERY, NY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MAY 31, 2021

	General	Community Development	Water	Sewer	Capital Projects	Total Governmental Funds
REVENUES						
Real Property Taxes	\$ 2,956,699	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,956,699
Real Property Tax Items	43,383	0	0	0	0	43,383
Non Property Tax Items	657,866	0	0	0	0	657,866
Departmental Income	82,591	0	304,643	417,045	0	804,279
Use of Money and Property	13,580	0	79	401	6	14,066
Licences and Permits	102,309	0	0	0	0	102,309
Fines and Forfeitures	12,054	0	0	0	0	12,054
Sale of Property and Compensation for Loss	7,029	0	1,080	0	0	8,109
Miscellaneous	47,705	0	702	3	0	48,410
State and Federal Aid	221,501	68,925	0	0	0	290,426
TOTAL REVENUES	<u>4,144,717</u>	<u>68,925</u>	<u>306,504</u>	<u>417,449</u>	<u>6</u>	<u>4,937,601</u>
EXPENDITURES						
General Government Support	632,573	0	0	0	0	632,573
Public Safety	961,872	0	0	0	0	961,872
Health	4,163	0	0	0	0	4,163
Transportation	727,509	0	0	0	0	727,509
Culture and Recreation	218,709	68,925	0	0	0	287,634
Home and Community Service	378,943	0	234,912	393,334	0	1,007,189
Employee Benefits	1,000,256	0	5,690	4,221	0	1,010,167
Capital Outlay	0	0	0	0	76,917	76,917
Debt Service	150,618	0	89,665	18,692	0	258,975
TOTAL EXPENDITURES	<u>4,074,643</u>	<u>68,925</u>	<u>330,267</u>	<u>416,247</u>	<u>76,917</u>	<u>4,966,999</u>
OTHER FINANCING SOURCES (USES)						
BANS Redeemed from Appropriations	0	0	0	0	170,400	170,400
TOTAL FINANCING SOURCES (USES)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>170,400</u>	<u>170,400</u>
CHANGE IN NET ASSETS	70,074	0	(23,763)	1,202	93,489	141,002
NET ASSETS - BEGINNING	<u>899,419</u>	<u>0</u>	<u>236,397</u>	<u>482,238</u>	<u>(534,093)</u>	<u>1,083,961</u>
NET ASSETS - ENDING	<u>\$ 969,493</u>	<u>\$ 0</u>	<u>\$ 212,634</u>	<u>\$ 483,440</u>	<u>\$ (440,604)</u>	<u>\$ 1,224,963</u>

See notes to financial statements.

VILLAGE OF MONTGOMERY
MONTGOMERY, NY
RECONCILIATION OF GOVERNMENTAL FUNDS - REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2021

	Total Governmental Funds	Long-Term Revenue and Expenses	Capital Related Items	Long-Term Debt Transactions	Reclassifications and Eliminations	Statement of Activities Totals
REVENUES						
Real Property Taxes	\$ 2,956,699	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,956,699
Real Property Tax Items	43,383	0	0	0	0	43,383
Non Property Tax Items	657,866	0	0	0	0	657,866
Departmental Income	804,279	0	0	0	0	804,279
Use of Money and Property	14,066	0	0	0	0	14,066
Licences and Permits	102,309	0	0	0	0	102,309
Fines and Forfeitures	12,054	0	0	0	0	12,054
Sale of Property and Compensation for Loss	8,109	0	0	0	0	8,109
Miscellaneous	48,410	0	0	0	0	48,410
State and Federal Aid	290,426	0	0	0	0	290,426
TOTAL REVENUES	4,937,601	0	0	0	0	4,937,601
EXPENDITURES						
General Government Support	632,573	2,229	22,912	0	226,037	883,751
Public Safety	961,872	8,689	78,555	0	868,591	1,917,707
Health	4,163	0	0	0	0	4,163
Transportation	727,509	1,954	36,004	0	144,779	910,247
Culture and Recreation	287,634	6	1,637	0	700	289,977
Home and Community Service	1,007,189	18	132,561	0	(575,712)	564,055
Water Utilities	0	1,417	9,819	0	392,474	403,710
Sewer Utilities	0	1,639	45,824	0	575,556	623,019
Employee Benefits	1,010,167	763,065	0	0	(1,773,232)	0
Capital Outlay	76,917	0	(217,724)	0	140,807	0
Debt Service	258,975	(5,590)	0	(223,900)	0	29,485
TOTAL EXPENDITURES	4,966,999	773,427	109,587	(223,900)	0	5,626,113
Excess (Deficiency) of Revenues Over Expenditures	(29,398)	(773,427)	(109,587)	223,900	0	(688,512)
OTHER SOURCES (USES):						
Bond Anticipation Notes Redeemed from Appropriations	170,400	0	0	(170,400)	0	0
TOTAL OTHER SOURCES (USES)	170,400	0	0	(170,400)	0	0
NET CHANGE FOR THE YEAR	\$ 141,002	\$ (773,427)	\$ (109,587)	\$ 53,500	\$ 0	\$ (688,512)

See notes to financial statements.

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Village of Montgomery have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

In accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government*, these Statements include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Village's activities.
- A change in the fund financial statements to focus on the major funds.

A. Financial Reporting Entity

The Village of Montgomery, which was incorporated in 1914, is governed by the laws of the State of New York and various local laws and ordinances. The Board of Trustees is the legislative body responsible for overall operations, the Mayor serves as Chief Executive Officer and the Treasurer serves as Chief Fiscal Officer.

The Village provides the following principal services: general administration, police protection, transportation (streets and highways), recreation, planning and zoning, public improvements, water and other home and community services.

All governmental activities and functions performed for the Village of Montgomery are its direct responsibility. No other governmental organization has been included or excluded from the reporting entity.

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (Continued)

The financial reporting entity consists of the following, as defined by Governmental Accounting Standards Board (GASB) Statement #14, "The Financial Reporting Entity:"

1. The primary government which is the Village of Montgomery.
2. Organizations for which the primary government is financially accountable, and;
3. Other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's general purpose financial statements to be misleading or incomplete.

The decision to include a potential component unit in the reporting entity is based on the criteria set forth in GASB Statement #14, including legal standing, fiscal dependency, and financial accountability.

Based on the application of the above criteria, no other entities are included in the reporting entity.

B. Basis of Presentation

1. Government-wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the Village's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Government activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

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

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

2. Fund Financial Statements

The fund statements provide information about the Village's funds. Separate statements for each fund category (governmental) are presented. The emphasis of fund financial statements is on major Governmental Funds, each displayed in a separate column.

The Village of Montgomery reports the following major Governmental Funds:

- **General Fund:** This is the Village's primary operating fund. It accounts for all financial transactions that are not required by law or other provision to be accounted for in other funds.
- **Water Fund:** Established by law to account for revenues derived from charges for water consumption and benefited assessments and the application of such revenues toward related operating expenses and debt retirement.
- **Sewer Fund:** Established by law to account for revenues derived from sewer rents and benefited assessments and used for related operating expenses and debt retirement.
- **Community Development Fund:** Used to account for funds received as Community Development Block Grant, pursuant to Community Development Act and other Federal and State Grants.
- **Capital Projects Fund:** Established to account for capital improvements finance from current monies transferred from other funds, federal and state grants and proceeds of obligations.

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the Village gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Material revenues that are accrued include real property taxes, state and federal aid, sales tax and certain user charges. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Property Taxes

Village real property taxes are levied annually no later than June 1st, and become a lien on November 1st. Taxes are collected during the period June 1 to October 31. Unpaid village taxes are turned over to the county for enforcement. Any such taxes remaining unpaid at year end are levied on county taxes in the subsequent year.

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Data

1. Budget Policies - The budget policies are as follows:

- a. No later than March 20, the budget officer submits a tentative budget to the Village Board for the fiscal year commencing the following June 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds except for capital projects fund.
- b. After public hearings are conducted to obtain taxpayer comments, no later than April 15, the Village Board adopts the budget by May 1.
- c. All modifications of the budget must be approved by specific action of the Village Board.

2. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in all funds. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

3. Budget Basis of Accounting

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

Budgetary controls for the special grant fund are established in accordance with the applicable grant agreements which cover, in most cases, a period other than the Village's fiscal year.

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Investments

The Village of Montgomery's investment policies are governed by State statutes. In addition, the Village of Montgomery has its own written investment policy. Village of Montgomery's monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The treasurer is authorized to use demand accounts and certificates of deposit.

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

Deposits and investments at year-end were entirely covered by Federal Insurance or by collateral held by the Village's custodial bank in the Village's name.

G. Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material. All receivables are expected to be collected within the subsequent fiscal year.

H. Due To/From Other Funds

Amounts due to and due from within the same fund type have been eliminated in the Government-wide statements. A detailed description of the individual fund balances is provided subsequently in these notes.

I. Inventories and Prepaid Items

Purchases of inventorable items are recorded as expenditures in the Government Funds at the time of purchase. Inventory-type items are considered immaterial and, consequently, are not provided in the government-wide statements.

Prepaid items represent payments made by the Village for which benefits extend beyond year-end.

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets

Capital assets are reported at historical costs. The Village depreciates capital assets using the straight-line method over the estimated useful life of the assets. Capitalization thresholds (the dollar value above which capital asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	40 years
Land improvements	5,000	10-30 years
Machinery & Equipment	5,000	5-10 years
Vehicles	5,000	5 years

K. Infrastructure

The Village includes long-lived improvements to roads and water systems as capital assets in the government-wide statements. Infrastructures are reported at historical costs and are depreciated using the straight-line method over their estimated useful lives.

Under the implementation standards of GASB 34, the Village is considered a small government, and as such is required only to recognize infrastructures on a prospective basis. Therefore, since the adoption of GASB 34, the Village has not retroactively reported infrastructures.

Capitalization thresholds and estimated useful lives for infrastructure are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Water & Sewer systems	\$ 5,000	40 years

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Vested Employee Benefits

Employees accrue (earn) vacation leave based on the number of years employed up to a maximum per the individual contracts. Upon separation from service, employees are paid for unused vacation time per the individual contracts.

Employees accrue (earn) sick leave and may accumulate such credits up to a stipulated maximums per the individual contracts.

A liability for accrued vacation and sick time is reflected in the government-wide statements under the heading "Compensated Absences".

The Village's employees participate in the New York State Employees' Retirement System and New York State Police and Fire Retirement Systems.

In addition to providing pension benefits, the Village of Montgomery provides health insurance coverage for retired employees. Substantially all of the Village's employees may become eligible for these benefits if they reach normal retirement age while working for the Village. Health care benefits are provided through an insurance company whose premiums are based on the benefits paid during the year for the community. The Village recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. Substantially all of the Village's employees may become eligible for these benefits if they reach normal retirement age and at least 20 years of service while working for the Village. See Note 7.

M. Unemployment Insurance

Village employees are covered by unemployment insurance. The Village is exempt for federal unemployment insurance tax.

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category. The first is related to pensions reported in the village-wide Statement of Net Position. This represents the effect of the net change in the Village's proportion of the collective net pension asset or liability and difference during the measurement period between the Village's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second is the Village contributions for retiree health insurance(OPEB) subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village has two items that qualify for reporting in this category. The first item the Village reports deferred inflows of resources in the Statement of Net Position related to other postemployment benefits reported in the government-wide statements. For additional information on deferred inflows related to other postemployment benefits See Note 7. The second item is related to pensions reported in the village-wide Statement of Net Position. This represents the effect of the net change in the Village's proportion of the collective net pension liability (ERS and PFRS System) and difference during the measurement periods between the Village's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

O. Equity Classification

1. Government-wide Statements

In the government-wide statements there are three classes of net position:

Net Investment in capital assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Equity Classification (Continued)

1. Government-wide Statements (Continued)

Restricted - reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted - reports all other net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the Village.

2. Funds Statements

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

Nonspendable: Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted: Constraints have been imposed on the use of these amounts either (a) externally by creditors, grantors, contributors or laws or regulations of other governments; or (b) by law through constitutional provisions or enabling legislation.

Water Fund	\$ 103,316
Sewer Fund	<u>358,440</u>
	<u>\$ 461,756</u>

Committed: Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees.

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Equity Classification (Continued)

2. Funds Statements (Continued)

Assigned: Includes amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balance includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the General Fund that are intended to be used for a specific purpose. This assignment is made when purchase orders are approved by the Mayor pursuant to the Village's purchasing policy. Assigned fund balance in the General, Water, and Sewer Funds include \$625,000, \$109,318, and \$125,000 respectively, assigned to be used to reduce the tax levy for the year ended May 31, 2022. This assignment is made when the tax levy is set by the Board of Trustees pursuant to the Village's annual budget policy.

Unassigned: Includes fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, negative unassigned fund balance is reported.

P. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, it is the Village's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements

Q. Interfund Transfers

The operations of the Village gives rise to certain transactions between funds, including transfers to provide services and construct assets. The amounts reported on the Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds for interfund transfers have been eliminated for the Statement of Activities. A detailed description of the individual fund transfers that occurred during the year is provided subsequently in these notes.

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long term assets.

S. New Accounting Standards

GASB has issued Statement 84, Fiduciary Activities, which will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. The focus of the criteria is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The Village has implemented Statement 84 as required.

GASB has issued Statement 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61, which will improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and will improve the relevance of financial statement information of certain component units. The Village has implemented Statement 90 as required.

GASB Statement No. 93, Replacement of Interbank Offered Rates, which addresses accounting and financial reporting implications that result from the replacement of an IBOR (interbank offered rate). The Village has implemented Statement 93 as required.

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-wide statements, certain financial transactions are treated differently. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the government funds.

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities:

Total fund balances of the Village’s governmental funds differ from “net position” of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the Governmental Fund Balance Sheet.

The basic financial statements contain a detailed reconciliation of the items creating the differences between fund balance reported in the Governmental Fund Statements and Net Position reported on the Statement of Net Position.

1. The costs of building and acquiring capital assets (land, buildings and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the Village as a whole, with their original costs capitalized and depreciation expensed annually over their useful lives.

Original Cost of Capital Assets	\$ 12,719,069
Accumulated Depreciation	<u>(8,123,660)</u>
Capital Assets, Net	<u>\$ 4,595,409</u>

2. Interest payable is recognized in the entity wide statements under full accrual accounting. No accrual is recognized in the governmental fund statements for interest that was not paid from current financial resources.

Interest Payable at May 31, 2021	<u>\$ 10,016</u>
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**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS (Continued)

**A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities:
(Continued)**

3. Long-term liabilities are reported in the Statement of Net Position, but not in the governmental funds, because they are not due and payable in the current period. Balances at year-end were:

Bonds Payable	\$ 552,500
Deferred Outflows of Resources – OPEB	(1,607,368)
Other Postemployment Benefits	7,842,320
Deferred Inflows of Resources – OPEB	886,701
Compensated Absences	<u>252,385</u>
	<u>\$ 7,926,538</u>

4. In the Statement of Net Position, a liability is recognized for the Village’s proportionate share of the net pension liability attributable to each defined benefit pension plan in which the Village participates. A net pension liability is measured as the proportionate share of the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service (proportionate share of total pension liability), net of the proportionate share of that pension plan’s fiduciary net position. If a pension plan’s fiduciary net position exceeds its total pension liability, the Village’s proportionate share of the pension plan’s net pension asset is recognized. Also, deferred outflows and inflows of resources related to pensions primarily result from contributions subsequent to the measurement date, as well as changes in the components of the net pension liability or asset. However, none of these amounts are included on the Balance Sheet as they are only recognized to the extent the pension liability is normally expected to be liquidated with expendable available financial resources. These balances at May 31, 2021 were as follows:

Deferred Outflows of Resources – Pension	\$ 1,682,145
Net Pension Liability, Proportionate Share (ERS & PFRS)	(331,716)
Deferred Inflows of Resources – Pension	<u>(2,209,374)</u>
	<u>\$ (858,945)</u>

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS (Continued)

B. Explanation of Difference between Governmental Funds Operating Statement and the Statement of Activities:

Differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of five broad categories. The amounts shown below represent these differences as follows:

- Long-term revenue differences arise because Governmental Funds report revenues only when they are considered “available”, whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because Governmental Funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.
- Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.
- Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the Governmental Fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.
- Pension plan transaction differences occur as a result of changes in the Village’s proportion of the collective net pension asset/liability and differences between the Village’s contributions and its proportionate share of the total contributions to the pension systems.
- Other Postemployment Benefit (OPEB) related differences occur as a result of changes in the Village’s total OPEB liability and differences between the Village’s contributions and OPEB expense.

The basic financial statements contain a detailed reconciliation of the items creating the differences between the change in fund balance reported in the Government Fund Statements and the change in net position reported in the Statement of Activities.

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS (Continued)

B. Explanation of Difference between Governmental Funds Operating Statement and the Statement of Activities: (Continued)

Explanation of Differences between Governmental Funds Operating Statement and the Statement of Activities and Changes in Net Position

Total Revenue and Other Funding Sources:

Total revenues and other sources reported in Governmental Funds	\$ 5,108,001
BAN's redeemed from appropriations	<u>(170,400)</u>
Total Revenues in the Statement of Activities and Changes in Net Position	<u>\$ 4,937,601</u>

Total Expenditures and Other Uses/Expenses:

Total expenditures and other uses reported in Governmental Funds	\$ 4,966,999
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In the Statement of Activities, certain operating expenses (Compensated absences) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The liability for compensated absences increased during the year. 15,952

In the Statement of Activities, the expense for other postemployment benefits (OPEB) includes changes in the OPEB liability such as service cost, interest cost and changes in the benefit terms, as well as amortization of deferred outflows of resources and deferred inflows of resources related to OPEB. In the governmental funds, however, OPEB expenditures are measured by the amount of financial resources used (essentially the amounts actually paid). This is the amount by which OPEB expense in the Statement of Activities exceeded the amount of financial resources used during the year 560,090

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS (Continued)

B. Explanation of Difference between Governmental Funds Operating Statement and the Statement of Activities: (Continued)

<p>When purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital expenditures of \$217,724 is less than depreciation of \$327,311 in the current year.</p>	109,587
<p>(Increases) decreases in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds. (PFRS of \$136,845 and ERS of \$66,130)</p>	202,975
<p>Interest payable is recognized in the government-wide statements under full accrual accounting whereas it is not under the governmental fund statements. This is the amount by which interest payable for the current year is less than the interest payable for the prior year.</p>	(5,590)
<p>Repayment of debt service principal is an expenditures in the governmental funds, but reduces long-term liabilities in the Statement of Net Position, and does not affect the Statement of Activities.</p>	<u>(223,900)</u>
<p style="padding-left: 40px;">Total expenses in the Statement of Activities and and Changes in Net Position</p>	<p style="padding-left: 40px;"><u>\$ 5,626,113</u></p>

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 3. CHANGE IN ACCOUNTING PRINCIPLES

For the year ended May 31, 2021, the Village implemented GASB Statement #84, *Fiduciary Activities*. The implementation of the statement establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes.

NOTE 4. CASH

The Village of Montgomery's investment policies are governed by State statutes, as previously described in these notes. Deposits are valued at cost or cost plus interest and are categorized as either:

1. Insured or collateralized with securities held by the entity or by its agent in the entity's name;
2. Collateralized with securities held by the pledging financial institution's trust department or agency in the entity's name; or
3. Uncollateralized
- 4.

	1	2	3
Governmental & Agency Funds	\$ 1,704,194	\$ 0	\$ 0

NOTE 5. INTERFUND ACTIVITY

Interfund receivables and payables at May 31, 2021, were as follows:

Fund	Interfund Receivable	Interfund Payable
General	\$ 3,614	\$ 0
Water	0	2,000
Sewer	0	1,614
Total	\$ 3,614	\$ 3,614

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended May 31, 2021, were as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Reclass- ifications</u>	<u>Ending Balance</u>
Capital Assets that are not Depreciated:				
Land	\$ 1,087,800	\$ 0	\$ 0	1,087,800
Total Non-Depreciable Historical Cost	<u>1,087,800</u>	<u>0</u>	<u>0</u>	<u>1,087,800</u>
Capital Assets that are being Depreciated:				
Land Improvements	299,643	28,289	0	327,932
Buildings	7,864,351	0	0	7,864,351
Infrastructure	2,325,344	76,917	0	2,402,261
Machinery & Equipment	924,207	112,518	0	1,036,725
Total Depreciable Historical Cost	<u>11,413,545</u>	<u>217,724</u>	<u>0</u>	<u>11,631,269</u>
Less Accumulated Depreciation:				
Land Improvements	222,672	12,038	0	234,710
Buildings	5,891,998	90,394	0	5,982,392
Infrastructure	1,291,848	35,689	0	1,327,537
Machinery & Equipment	389,831	189,190	0	579,021
Total Accumulated Depreciation	<u>7,796,349</u>	<u>327,311</u>	<u>0</u>	<u>8,123,660</u>
Total Historical Cost, Net	<u>\$ 4,704,996</u>	<u>\$ (109,587)</u>	<u>\$ 0</u>	<u>\$ 4,595,409</u>

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 6. CAPITAL ASSETS (Continued)

Depreciation was charged to governmental functions as follows:

General Government Support	\$ 22,912
Public Safety	78,555
Transportation	36,004
Culture and Recreation	1,637
Home and Community Services	132,561
Water Utilities	9,819
Sewer Utilities	<u>45,824</u>
Total Depreciation Expense	<u><u>\$ 327,311</u></u>

NOTE 7. LIABILITIES

A. Short-Term Debt

Liabilities for bond anticipation notes (BAN's) are generally accounted for in the Capital Projects Fund. The notes or renewal thereof may not extend more than five years beyond the original date of issue unless a portion is redeemed within five years and within each 12 month period thereafter.

State law requires that BAN's issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BAN's issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. These temporary funds were borrowed to assist with financing the renovation and construction of various projects.

The Village of Montgomery had six outstanding bond anticipation notes for the year ended May 31, 2021 as follows:

<u>Description</u>	<u>Original Date of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Amount Outstanding at Year End</u>
Garbage Truck	12/09/16	1.95%	12/3/2021	\$ 29,000
Clinton St Water Main	08/14/17	1.49%	8/13/2021	50,000
Various Purpose	07/23/18	0.94%	7/23/2021	253,200
Wastewater	10/01/19	0.79%	10/1/2021	68,000
Village Hall Heat	09/13/19	2.15%	9/10/2021	60,000
Police Car	10/16/20	1.25%	10/15/2021	<u>50,000</u>
Total BAN's Payable				<u><u>\$ 510,200</u></u>

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 7. LIABILITIES (Continued)

A. Short-Term Debt (Continued)

Interest on short-term debt paid during the year was:

Interest paid	\$ 12,689
Less: Interest accrued-prior year	(9,833)
Add: Interest accrued-current year	4,616
	Total Short-Term Interest
	\$ 7,472

B. Long-Term Debt

Bonds: The Village of Montgomery borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers.

The following is a summary of the Village's outstanding Bonds for the year ending May 31, 2021.

Serial Bonds:

Description	Original Date of Issue	Interest Rate	Date of Maturity	Amount Outstanding at Year End
Serial Bonds:				
Water Storage	3/1/2016	Var.	3/1/2026	\$ 132,500
General Purpose	2/6/2019	Var.	2/15/2039	420,000
Total Bonds Payable				\$ 552,500

Interest on long-term debt paid during the year was:

Interest paid	\$ 22,385
Less: Interest accrued-prior year	(5,773)
Add: Interest accrued-current year	5,400
	Total Long-Term Interest
	\$ 22,013

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 7. LIABILITIES (Continued)

B. Long-Term Debt (Continued)

Long-term liability balances and activity for the year are summarized below:

	Beginning Balance	Issued	Redeemed	Ending Balance
<u>Governmental Activities</u>				
Serial Bonds	\$ 606,000	\$ 0	\$ 53,500	\$ 552,500
Other liabilities:				
Other Postemployment Benefits	6,707,866	1,772,254	637,800	7,842,320
Net Pension Liability - Proportionate Share	1,895,543	0	1,563,827	331,716
Compensated Absences	236,433	15,952	0	252,385
Total Long-Term Liabilities	\$ 9,470,996	\$ 1,788,206	\$ 2,280,281	\$ 8,978,921

Activity for compensated absences is shown at net due the impracticability of determining these amounts separately. Payments of compensated absences are dependent upon future factors and, therefore, the timing of such payments cannot be determined. Compensated absences are reflected as a long-term liability in the Statement of Net Position.

The following is a summary of the maturity of long-term indebtedness:

Year	Principal	Interest	Total
2022	\$ 41,500	\$ 20,243	\$ 61,743
2023	41,500	18,822	60,322
2024	41,500	17,401	58,901
2025	46,500	15,980	62,480
2026	46,500	14,372	60,872
2027-2031	105,000	56,315	161,315
2032-2036	135,000	34,564	169,564
2037-2039	95,000	7,763	102,763
	\$ 552,500	\$ 185,460	\$ 737,960

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 7. LIABILITIES (Continued)

C. Other Postemployment Benefits

General Information about the OPEB Plan

Plan Description – The Village’s defined benefit OPEB plan (“the Village’s OPEB plan”), provides OPEB for all permanent full-time general and public safety employees of the Village. The Village’s OPEB plan is a single-employer defined benefit OPEB plan administered by the Village.

Benefits Provided – The Village’s OPEB plan provides healthcare benefits for retirees and their dependents.

Medical Benefits Program:

The Plan is a fully insured plan. Current retiree premium rates provided by the Village include:

- | | |
|----------------------------|------------------------------|
| a) Individual Pre-age 65: | Generally \$1,075 per month. |
| b) Family Pre-age 65: | Generally \$2,452 per month. |
| c) Individual Post-age 65: | Generally \$390 per month. |
| d) Family Post-age 65: | Generally \$1,107 per month. |

Adjustments to the premium rates to reflect the difference between the pre-age 65 active/retiree group (for which the current premium rates were based on) and the pre-age 65 retiree group, were required, in accordance with ASOP 6.

Medicare Part B Premiums:

Paid by the Village at \$148.50/mo.

Minimum eligibility requirements for other postemployment benefits are as follows:

- General: An employee must retire with at least 20 years of service and be at least 55 years of age.
- Police Officers: An employee must retire with at least 20 years of service (no age requirement)

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 7. LIABILITIES (Continued)

C. Other Postemployment Benefits (Continued)

Village Subsidy:

Police Officers: The Village will generally contribute 100% of the NYSHIP/State Empire medical premium amounts for both individual coverage and family (dependent) coverage.

CSEA and Office Employees:

30+ Years of Service: 100% individual/75% dependent

25-29 Years of Service: 75% individual/55% dependent

20-24 Years of Service: 50% individual/35% dependent

Funding Policy:

The employer's funding policy is to contribute the current annual premium (net of employee contributions) for all retired participants (i.e., pay as you go). Current New York State law prohibits municipalities from pre-funding retiree medical benefit obligations in a Trust.

Employees Covered by Benefit Terms – At May 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Active employees	<u>22</u>
 Total Employees Covered by Benefit Terms	 <u><u>27</u></u>

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 7. LIABILITIES (Continued)

C. Other Postemployment Benefits (Continued)

Total OPEB Liability

The Village's total OPEB liability of \$7,842,320 was measured as of May 31, 2021, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the May 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	6/1/2020 (5/31/2021 census)
Projected Salary Increases	3% per annum
Discount Rate	1.59% (0.59% and 2.59% are illustrated for sensitivity)
Rate of Inflation	3% per annum
Mortality	RP-2006 mortality table, MP-2019 projection
Withdrawal	Sarasson T-5 Table
Asset Valuation Method	Market value
Healthcare cost trend rates	8% decreasing to 5% ultimate
Marriage Rate	Wife is assumed to be same age as the husband. 70% of males and 50% of females are assumed married.
Participation Rate	100% of eligible retirees expected to participate.
Amortization Basis	For experience gains/losses, over the average expected future working lifetime of the active group.

The discount rate was based on S&P Municipal Bond 20 Year High Grade Rate Index as of May 31, 2021.

The actuarial assumptions used in the June 1, 2020 valuation were based on the results of an actuarial experience study for the period June 1, 2020 - May 31, 2021.

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 7. LIABILITIES (Continued)

C. Other Postemployment Benefits (Continued)

Changes in the Total OPEB Liability

Balance at May 31, 2020	\$ 6,707,866
<u>Changes for the Year:</u>	
Service cost	363,116
Interest	175,600
Changes of benefit terms	0
Differences between expected and actual experience	(575,690)
Changes in assumptions or other inputs	1,233,538
Benefit payments	(62,110)
Net Changes	1,134,454
Balance at May 31, 2021	\$ 7,842,320

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Village, as well as what the Village’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (0.59 percent) or 1 percentage point higher (2.59 percent) than the current discount rate:

	1% Decrease (0.59%)	Current Discount Rate (1.59%)	1% Increase (2.59%)
Total OPEB Liability	\$ 9,028,712	\$ 7,842,320	\$ 6,655,927

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the Village, as well as what the Village’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	Trend Rate Less 1%	Current Health Care Cost Trend Rates	Trend Rate Plus 1%
Total OPEB Liability	\$ 6,116,076	\$ 7,842,320	\$ 10,001,185

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 7. LIABILITIES (Continued)

C. Other Postemployment Benefits (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended May 31, 2021, the Village recognized OPEB expense of \$622,200. At May 31, 2021, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 90,864	\$ 886,701
Changes of assumptions or other inputs	1,516,504	0
Village's contributions subsequent to the measurement date	<u>0</u>	<u>0</u>
Total	<u>\$ 1,607,368</u>	<u>\$ 886,701</u>

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

<u>Fiscal Year Ending May 31,</u>	<u>Amount</u>
2022	\$ 83,484
2023	83,484
2024	83,484
2025	83,484
2026	83,484
Thereafter (4 years)	303,247

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 8. PENSION PLANS

Plan Description

The Village participates in the New York State and Local Employees' Retirement System (ERS). ERS and the New York State and Local Police and Fire Retirement System (PFRS) which are collectively referred to as New York State and Local Retirement System (the ERS System). These are cost-sharing multiple-employer defined benefit retirement systems. The net position of the ERS System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the ERS System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the ERS System. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). 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 (GLIP), 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 may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

ERS and PFRS Benefits Provided

The ERS System provides retirement benefits as well as death and disability benefits.

Tiers 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 8. PENSION PLANS(Continued)

ERS and PFRS Benefits Provided (Continued)

Tiers 1 and 2 (Continued)

reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

Tiers 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with 10 or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 8. PENSION PLANS(Continued)

ERS and PFRS Benefits Provided (Continued)

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with 10 or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

Special Plans

The 25-Year Plans allow a retirement after 25 years of service with a benefit of one-half of final average salary, and the 20-Year Plans allow a retirement after 20 years of service with a benefit of one-half of final average salary. These plans are available to certain PFRS members, sheriffs, and correction officers.

Ordinary Disability Benefits

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after 10 years of service; in some cases, they are provided after five years of service.

Accidental Disability Benefits

For all eligible Tier 1 and Tier 2 ERS and PFRS members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any Workers' Compensation benefits received. The benefit for eligible Tier 3, 4, 5 and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 8. PENSION PLANS(Continued)

ERS and PFRS Benefits Provided (Continued)

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for 10 years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 8. PENSION PLANS(Continued)

Funding Policy

The Systems are noncontributory, except for employees who joined the Systems after July 27, 1976 and prior to January 1, 2010, who contribute 3% of their salary for the first ten years of membership. For employees who joined after January 1, 2010, employees in NYSERS contribute 3% of their salary throughout their active membership. For NYSERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the NYSERS fiscal year ending March 31. The Village's contributions for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

	ERS	PFRS
2021	\$ 153,710	\$ 99,465
2020	\$ 154,612	\$ 94,489
2019	\$ 162,821	\$ 83,928

Village contributions made to the Systems were equal to 100% of the contributions required for each year. Since 1989, the Systems' billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the Systems' fiscal year ended March 31, 2005 (which otherwise were to have been paid on December 15, 2005) over a 10 year period, with an 8.00% interest factor added. Local governments were given the option to prepay this liability. The Village elected to prepay this liability.

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

At May 31, 2021, the Village reported the following asset/(liability) for its proportionate share of the net pension liability/(asset) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2021 for ERS and PFRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. Village's proportion of the net pension asset/(liability) was based on a projection of the Village's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and PFRS Systems in reports provided to the Village.

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 8. PENSION PLANS(Continued)

For the year ended May 31, 2021, the Village's recognized pension expense of \$74,338 for ERS and the actuarial value \$141,820 for PFRS. At May 31, 2021 the Village's reported deferred outflows of resources and deferred inflows of resources related to pensions for the following sources:

	Deferred Outflows of Resources		
	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
Differences between expected and actual experience	\$ 44,168	\$ 72,803	\$ 116,971
Changes of Assumptions	664,963	806,104	1,471,067
Changes in proportion and difference between the Village's contributions and proportionate share of contributions	0	0	0
Village's contributions subsequent to the measurement date	15,609	78,498	94,107
Total	\$ 724,740	\$ 957,405	\$ 1,682,145

	Deferred Inflows or Resources		
	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
Changes in Assumption	\$ 12,541	\$ 0	\$ 12,541
Changes in proportion and difference between the Projected and Actual Earnings on Investments	1,038,880	964,756	2,003,636
Changes in Proportion	33,288	159,909	193,197
Total	\$ 1,084,709	\$ 1,124,665	\$ 2,209,374

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 8. PENSION PLANS(Continued)

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

Year Ended:	<u>ERS</u>	<u>PFRS</u>
2022	\$ (67,501)	\$ 73,706
2023	(28,147)	91,900
2024	(60,254)	127,611
2025	(204,067)	108,158
2026	0	1,565

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>PFRS</u>
Inflation Rate	2.7%	2.7%
Projected Salary Increases	4.40%	6.20%
Projected Cost of Living Adjustments	1.4%	1.4%
Investment Rate of Return	5.9% compounded annually, net of investment expenses	5.9% compounded annually, net of investment expenses
Decrement	Actuarial experience study for the period April 1, 2015 to March 31, 2020	Actuarial experience study for the period April 1, 2015 to March 31, 2020
Mortality Improvement	Society of Actuaries Scale MP-2020	Society of Actuaries Scale MP-2020

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 8. PENSION PLANS(Continued)

For ERS and PFRS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System’s experience with adjustments for mortality improvements based on MP-2020.

For ERS and PFRS, the actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

The long term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

Measurement Date	ERS & PFRS	
	March 31, 2021	
	Target Allocation	Long-term expected real rate of return
<u>Asset Class:</u>		
Domestic Equity	32%	4.05%
International Equity	15%	6.30%
Private Equity	10%	6.75%
Real Estate	9%	4.95%
Opportunistic/ARS Portfolio	3%	4.50%
Credit	4%	3.63%
Real Assets	3%	5.95%
Fixed Income	23%	0.00%
Cash	1%	0.50%
Total	100%	

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 8. PENSION PLANS(Continued)

Discount Rate

The discount rate used to calculate the total pension liability was 5.9% for ERS and PFRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Village's proportionate share of the net pension liability calculated using the discount rate of 5.9% for ERS and PFRS, as well as what the Village's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.9% for ERS and PFRS) or 1-percentage-point higher (6.9% for ERS and PFRS) than the current rate:

ERS	1% Decrease 4.90%	Current Assumption 5.90%	1% Increase 6.90%
Employer's Proportionate Share of the Net Pension Asset/(Liability)	\$ (1,003,808)	\$ (3,617)	\$ 918,794
PFRS	1% Decrease 4.90%	Current Assumption 5.90%	1% Increase 6.90%
Employer's Proportionate Share of the Net Pension Asset/(Liability)	\$ (1,395,262)	\$ (328,099)	\$ 555,236

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 8. PENSION PLANS(Continued)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the respective measurements dates were as follows:

Measurement Date	<u>ERS</u> March 31, 2021	<u>PFRS</u> March 31, 2021
Employers' total pension asset/(liability)	\$ (220,680,157)	\$ (41,236,775)
Plan net position	<u>220,580,583</u>	<u>39,500,500</u>
Employer's net pension asset/(liability)	<u>\$ (99,574)</u>	<u>\$ (1,736,275)</u>
 Ratio of plan net position to the employers' total pension asset/(liability)	 99.95%	 95.79%

NOTE 9. RISK MANAGEMENT

The Village is exposed to various risks of loss including, but not limited to, torts, thefts of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Management believes such coverage is sufficient to preclude any significant uninsured loss. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

NOTE 10. CONTINGENCIES

A. Grant Program

The Village has received grants which are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowances and a request for a return of funds to the Federal and State governments. Based on past audits, the Village administration believes disallowances, if any, will be immaterial

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 10. CONTINGENCIES (Continued)

B. Litigation

The Village is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accrual or provision for loss contingencies that may result from these proceedings. While the outcome cannot be predicted, due to the insurance coverage maintained, the Village believes that any settlement not covered by insurance would not have a material adverse effect on the financial condition of the Village.

NOTE 11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 10, 2021, the date these financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment or disclosure in the accompanying financial statements.



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**INDEPENDENT AUDITOR'S 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**

To the Mayor and Members
of the Village Board
Village of Montgomery
Montgomery, New York

Peter J. Bullis, CPA, FACFEI, DABFA
Norman M. Sassi, CPA
Christopher E. Melley, CPA
Gary C. Theodore, CPA
Julia R. Fraino, CPA
William T. Trainor, CPA
Mark M. Levy, CPA, CFP
Thomas R. Busse, Jr., CPA
Brent T. Napoleon, CPA
Jennifer L. Capicchioni, CPA
Patrick M. Bullis, CPA
Justin B. Wood, CPA

Richard P. Capicchioni, CPA
Walter J. Jung, CPA
Jennifer A. Traverse, CPA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Village of Montgomery, as of and for the year ended May 31, 2021, and the related notes to the financial statements, which collectively comprise the Village of Montgomery's basic financial statements and have issued our report thereon dated November 10, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of Montgomery'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 of Montgomery's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Montgomery'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, identified as findings 2021-001 and 2021-002, that we consider to be significant deficiencies.

Compliance and Other Matters

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

Village of Montgomery' Response to Findings

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

Purpose of this Report

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

Jugend + Hausler, P.C.

November 10, 2021

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED MAY 31, 2021**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of Auditor's Report Issued: Unmodified

Internal Control Over Financial Reporting:

Material weakness(es) identified?

Yes No

Significant deficiencies identified that are
not considered to be material weaknesses

Yes No

Noncompliance material to financial statements noted?

Yes No

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED MAY 31, 2021**

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2021-001	Limited Segregation of Duties
Condition:	The auditor found instances where segregation of duties was limited. Limitations in control activities may be addressed through additional management oversight. Through interviews with management and staff we were able to satisfy ourselves that direct involvement and knowledge of these activities reduced the potential for errors or irregularities.
Criteria:	Segregation of duties relates to how various duties are assigned to different people within the organization. Generally, the responsibility for authorizing transactions, recording transactions, and maintaining custody of assets should be assigned to different people so that no single person is in a position to both commit and conceal errors, irregularities or fraud.
Cause:	Limited resources and personnel available contribute directly to the level of segregation achieved.
Effect:	The financial statements could have been significantly misstated due to errors or irregularities and fraud or misappropriation could occur and not be detected without adequate segregation of duties and responsibilities. Checks and balances put into place by management have been a mitigating factor in response to the limited segregation of duties at the Village.
Recommendation:	We recommend that the management review the responsibilities of business staff, as well as the duties actually being performed currently. This review should focus on segregating the functions for authorizing transactions, recording transactions, and maintaining custody of assets. As part of this review, management should consider whether the current staffing level is sufficient to achieve the desired internal control. It may be necessary to hire additional staff.
Finding 2021-002	Management Oversight and Monitoring
Condition:	The Auditor found instances where oversight and monitoring by management were not documented. Through interviews with management and related personnel we were able to satisfy ourselves that the necessary oversight and monitoring was performed.

**VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED MAY 31, 2021**

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

- Criteria: Effective internal control over financial reporting requires management oversight and monitoring to establish reasonable assurance that financial reporting is being reliably and accurately completed. Documentation of this oversight and monitoring is necessary to insure this criteria is met.
- Cause: These activities are often informal and performed as a part of the overall management of the entity's operations. Management's close involvement in operations will typically identify inaccuracies in financial data.
- Effect: The financial statements could have been significantly misstated without adequate documentation and performance of oversight functions.
- Recommendation: We recommend that management formally document its review of all elements of the financial data reflected in the financial reporting. This would include but not be limited to ledger account reconciliations, journal entries, trial balances, revenue status and budget status reports.

Management has not completed a response to the above findings as of the date of this report. Government Auditing Standards require management's responses and planned corrective action to be included in this report.

VILLAGE OF MONTGOMERY
MONTGOMERY, NY
SCHEDULE OF REVENUES, EXPENDITURES COMPARED TO BUDGET
GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2021

	Original Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real Property Taxes	\$ 2,956,700	\$ 2,956,700	\$ 2,956,700	\$ 0
Real Property Tax Items	43,635	43,635	43,383	(252)
Non-Property Tax Items	727,710	727,710	657,866	(69,844)
Departmental Income	261,650	261,650	82,591	(179,059)
Intergovernmental Charges	21,500	21,500	0	(21,500)
Use of Money and Property	31,000	31,000	13,580	(17,420)
Licences and Permits	10,000	10,000	102,309	92,309
Fines and Forfeitures	0	0	12,054	12,054
Sale of Property and Compensation for Loss	42,500	42,500	7,029	(35,471)
Miscellaneous	0	0	47,705	47,705
State and Federal Aid	109,677	109,677	221,501	111,824
TOTAL REVENUES	<u>4,204,372</u>	<u>4,204,372</u>	<u>\$ 4,144,717</u>	<u>\$ (59,654)</u>
OTHER SOURCES				
Appropriated Fund Balance	<u>675,000</u>	<u>675,000</u>		
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 4,879,372</u>	<u>\$ 4,879,372</u>		
EXPENDITURES				
General Government Support	\$ 855,497	\$ 855,497	632,573	\$ 222,924
Public Safety	1,085,306	1,085,306	961,872	123,434
Health	10,603	10,603	4,163	6,440
Transportation	882,274	882,274	727,509	154,765
Culture and Recreation	416,800	416,800	218,709	198,091
Home and Community Services	434,254	434,254	378,943	55,311
Employee Benefits	1,042,800	1,042,800	1,000,256	42,544
Debt Service	151,838	151,838	150,618	1,220
TOTAL EXPENDITURES	<u>\$ 4,879,372</u>	<u>\$ 4,879,372</u>	<u>\$ 4,074,643</u>	<u>\$ 804,729</u>

See paragraph on supplemental schedules in auditor's report.

VILLAGE OF MONTGOMERY
MONTGOMERY, NY
SCHEDULE OF REVENUES, EXPENDITURES COMPARED TO BUDGET
WATER FUND
FOR THE YEAR ENDED MAY 31, 2021

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Departmental Income	\$ 292,340	\$ 292,340	\$ 304,643	\$ 12,303
Intergovernmental Charges	10,600	10,600	0	(10,600)
Use of Money and Property	170	170	79	(91)
Sale of Property and Compensation for Loss	475	475	1,080	605
Miscellaneous	0	0	702	702
TOTAL REVENUES	<u>303,585</u>	<u>303,585</u>	<u>\$ 306,504</u>	<u>\$ 2,919</u>
OTHER SOURCES				
Appropriated Fund Balance	<u>120,000</u>	<u>120,000</u>		
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 423,585</u>	<u>\$ 423,585</u>		
EXPENDITURES				
Home and Community Services	\$ 327,720	\$ 327,720	\$ 234,912	\$ 92,808
Employee Benefits	6,200	6,200	5,690	510
Debt Service	89,665	89,665	89,665	0
TOTAL EXPENDITURES	<u>\$ 423,585</u>	<u>\$ 423,585</u>	<u>\$ 330,267</u>	<u>\$ 93,318</u>

See paragraph on supplemental schedules in auditor's report.

VILLAGE OF MONTGOMERY
MONTGOMERY, NY
SCHEDULE OF REVENUES, EXPENDITURES COMPARED TO BUDGET
SEWER FUND
FOR THE YEAR ENDED MAY 31, 2021

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Departmental Income	\$ 416,071	\$ 416,071	\$ 417,045	\$ 974
Use of Money and Property	175	175	401	226
Miscellaneous	0	0	3	3
State and Federal Aid	0	0	0	0
TOTAL REVENUES	<u>416,246</u>	<u>416,246</u>	<u>\$ 417,449</u>	<u>\$ 1,203</u>
OTHER SOURCES				
Appropriated Fund Balance	<u>125,000</u>	<u>125,000</u>		
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 541,246</u>	<u>\$ 541,246</u>		
EXPENDITURES				
General Government Support	\$ 3,434	\$ 3,434	\$ 0	\$ 3,434
Home and Community Services	514,070	514,070	393,334	120,736
Employee Benefits	5,050	5,050	4,221	829
Debt Service	18,692	18,692	18,692	0
TOTAL EXPENDITURES	<u>\$ 541,246</u>	<u>\$ 541,246</u>	<u>\$ 416,247</u>	<u>\$ 124,999</u>

See paragraph on supplemental schedules in auditor's report.

VILLAGE OF MONTGOMERY
MONTGOMERY, NY
SCHEDULE OF CHANGES IN THE VILLAGE'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED MAY 31, 2021

	<u>05/31/21</u>	<u>05/31/20</u>	<u>05/31/19</u>	<u>05/31/18</u>
<u>Total OPEB Liability</u>				
Service cost	\$ 363,116	\$ 343,345	\$ 314,419	\$ 0
Interest	175,600	187,926	171,131	0
Changes of benefit terms	0	0	0	0
Differences between expected and actual experience	(575,690)	(460,724)	129,807	0
Changes in assumptions or other inputs	1,233,538	507,900	0	5,643,459
Benefit payments	<u>(62,110)</u>	<u>(64,163)</u>	<u>(65,234)</u>	<u>0</u>
Net change in total OPEB liability	1,134,454	514,284	550,123	5,643,459
Total OPEB liability-beginning	<u>6,707,866</u>	<u>6,193,582</u>	<u>5,643,459</u>	<u>0</u>
Total OPEB liability-ending	<u>\$ 7,842,320</u>	<u>\$ 6,707,866</u>	<u>\$ 6,193,582</u>	<u>\$ 5,643,459</u>
Covered-employee payroll	\$ 1,363,784	\$ 1,257,233	\$ 1,214,498	\$ 1,214,498
Total OPEB liability as a percentage of covered-employee payroll	575.04%	533.54%	509.97%	464.67%

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75 to pay related benefits.

* GASB 75 requires that the past 10 years of information be presented. Due to the fact that this statement was implemented for the year ended May 31, 2019, prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 75.

VILLAGE OF MONTGOMERY
MONTGOMERY, NY
SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED MAY 31, 2021

	NYSERS Pension Plan Last 10 Fiscal Years*						
	<u>3/31/2021</u>	<u>3/31/2020</u>	<u>3/31/2019</u>	<u>3/31/2018</u>	<u>3/31/2017</u>	<u>3/31/2016</u>	<u>3/31/2015</u>
Village's proportion of the net pension asset/(liability)	0.0036320%	0.0039259%	0.0039036%	0.0041561%	0.0040323%	0.0043256%	0.0043560%
Village's proportionate share of the net pension asset/(liability)	\$ (3,617)	\$ (1,039,600)	\$ (276,584)	\$ (134,135)	\$ (378,881)	\$ (694,274)	\$ (147,155)
Village's covered-employee payroll	\$ 1,121,761	\$ 1,099,766	\$ 1,078,202	\$ 1,057,061	\$ 1,036,334	\$ 1,016,014	\$ 996,092
Village's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-0.32%	-94.53%	-25.65%	-12.69%	-36.56%	-68.33%	-14.77%
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%
	NYSPPRS Pension Plan Last 10 Fiscal Years*						
	<u>3/31/2021</u>	<u>3/31/2020</u>	<u>3/31/2019</u>	<u>3/31/2018</u>	<u>3/31/2017</u>	<u>3/31/2016</u>	<u>3/31/2015</u>
Village's proportion of the net pension asset/(liability)	0.018897%	0.000160%	0.014526%	0.017165%	0.012582%	0.011260%	0.014977%
Village's proportionate share of the net pension asset/(liability)	\$ (328,099)	\$ (855,943)	\$ (243,606)	\$ (173,494)	\$ (260,771)	\$ (333,375)	\$ (41,227)
Village's covered-employee payroll	\$ 549,465	\$ 538,691	\$ 528,128	\$ 517,773	\$ 507,621	\$ 497,667	\$ 487,909
Village's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-59.71%	-158.89%	-46.13%	-33.51%	-51.37%	-66.99%	-8.45%
Plan fiduciary net position as a percentage of the total pension liability	95.79%	84.86%	95.09%	96.93%	93.50%	90.20%	99.00%

* GASB 68 requires that the past 10 years of information be presented. Due to the fact that this statement was implemented for the year ended May 31, 2016, prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 68.

See paragraph on supplementary schedules included in auditor's report.

VILLAGE OF MONTGOMERY
MONTGOMERY, NY
SCHEDULE OF LOCAL GOVERNMENT CONTRIBUTIONS
FOR THE YEAR ENDED MAY 31, 2021

	NYSERS Pension Plan Last 10 Fiscal Years*						
	<u>3/31/2021</u>	<u>3/31/2020</u>	<u>3/31/2019</u>	<u>3/31/2018</u>	<u>3/31/2017</u>	<u>3/31/2016</u>	<u>3/31/2015</u>
Contractually required contribution	\$ 150,836	\$ 149,736	\$ 146,903	\$ 156,740	\$ 181,653	\$ 197,248	\$ 222,957
Contributions in relation to the contractually required contribution	<u>150,836</u>	<u>149,736</u>	<u>146,903</u>	<u>156,740</u>	<u>181,653</u>	<u>197,248</u>	<u>222,957</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 1,121,761	\$ 1,099,766	\$ 1,078,202	\$ 1,057,061	\$ 1,036,334	\$ 1,016,014	\$ 996,092
Contributions as a percentage of its covered-employee payroll	13.45%	13.62%	13.62%	14.83%	17.53%	19.41%	22.38%
	NYSPPRS Pension Plan Last 10 Fiscal Years*						
	<u>3/31/2021</u>	<u>3/31/2020</u>	<u>3/31/2019</u>	<u>3/31/2018</u>	<u>3/31/2017</u>	<u>3/31/2016</u>	<u>3/31/2015</u>
Contractually required contribution	\$ 99,465	\$ 94,489	\$ 83,928	\$ 83,316	\$ 65,172	\$ 49,572	\$ 92,737
Contributions in relation to the contractually required contribution	<u>99,465</u>	<u>94,489</u>	<u>83,928</u>	<u>83,316</u>	<u>65,172</u>	<u>49,572</u>	<u>92,737</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 549,465	\$ 538,691	\$ 528,128	\$ 517,773	\$ 507,621	\$ 497,667	\$ 487,909
Contributions as a percentage of its covered-employee payroll	18.10%	17.54%	15.89%	16.09%	12.84%	9.96%	19.01%

* GASB 68 requires that the past 10 years of information be presented. Due to the fact that this statement was implemented for the year ended May 31, 2016, prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 68.

See paragraph on supplementary schedules included in auditor's report.

VILLAGE OF MONTGOMERY
MONTGOMERY, NY
STATEMENT OF INDEBTEDNESS
FOR THE YEAR ENDED MAY 31, 2021

	DATE OF ORIGINAL ISSUE	MATURITY	INTEREST RATE	OUTSTANDING BEGINNING OF FISCAL YEAR	ISSUED DURING YEAR	PAID DURING YEAR	OUTSTANDING END OF YEAR	AMOUNT OF INTEREST PAID DURING FISCAL YEAR	ACCRUED INTEREST DUE 05/31/21 FISCAL YEAR	DUE WITHIN ONE YEAR
<u>BOND ANTICIPATION NOTES</u>										
Garbage Truck	12/9/2016	12/3/2021	1.95%	\$ 58,000	\$ 0	\$ 29,000	\$ 29,000	\$ 1,182	\$ 273	\$ 29,000
Clinton St Water Main	8/14/2017	8/13/2021	1.49%	75,000	0	25,000	50,000	1,508	592	50,000
Various Purpose	7/23/2018	7/23/2021	0.94%	337,600	0	84,400	253,200	6,853	2,074	253,200
Wastewater	10/1/2019	10/1/2021	0.79%	85,000	0	17,000	68,000	1,692	358	68,000
Village Hall Heat	9/13/2019	9/10/2021	2.15%	75,000	0	15,000	60,000	1,454	930	60,000
Police Car	10/16/2020	10/15/2021	1.25%	0	50,000	0	50,000	0	390	50,000
TOTAL BOND ANTICIPATION NOTES				630,600	50,000	170,400	510,200	12,689	4,616	510,200
<u>SERIAL BONDS</u>										
Water Storage	3/1/2016	3/1/2026	3.24%	159,000	0	26,500	132,500	5,152	748	26,500
General Purpose	2/6/2019	2/15/2039	3.33%	435,000	0	15,000	420,000	16,505	4,652	15,000
General	5/1/1986	5/1/2021	7.13%	6,000	0	6,000	0	364	0	0
General	5/1/1986	5/1/2021	5.00%	6,000	0	6,000	0	364	0	0
TOTAL SERIAL BONDS				606,000	0	53,500	552,500	22,385	5,400	41,500
TOTAL INDEBTEDNESS				\$ 1,236,600	\$ 50,000	\$ 223,900	\$ 1,062,700	\$ 35,074	\$ 10,016	\$ 551,700

See paragraph on supplemental schedules in auditor's report.

VILLAGE OF MONTGOMERY
MONTGOMERY, NEW YORK
NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED MAY 31, 2021

Capital Assets, Net		\$ 4,595,409
Deduct:		
Bond Anticipation Notes	\$ 510,200	
Short-Term Portion of Bonds Payable	41,500	
Long-Term Portion of Bonds Payable	511,000	
Total Deductions	<u>1,062,700</u>	<u>1,062,700</u>
		<u>\$ 3,532,709</u>

See paragraph on supplemental schedules in auditor's report.