DRAFT

MINUTES of a Special Meeting of the Village Board of Trustees held Friday November 20, 2020 at 9:00AM, Village Hall, 111 Elm Street, Room 202, Penn Yan, NY 14527

PRESENT: Mayor L MacKerchar: Trustees C. Benedict; D. Condella; R. Spencer; R. Stewart; ; Clerk/Treasurer G. Meeks; Deputy Clerk/Treasurer H. Easling; Director of Public Works T. Schwartz; Deputy Director of Public Works M. Gerhardt

ABSENT: Trustees T Hoban; K. McLoud; Attorney Ed Brockman; Police Chief T. Dunham; CEO J. Kincaid; Fire Chief F. Ellis

News Media present:

PUBLIC: Bill Freitag and Mike Evans with BST & Co. CPA's LLP, Jamie Sisson- Jerusalem Supervisor

Mayor MacKerchar called the Special Village Board meeting to order at 10:00 AM
pledge Allegiance to the Flag

Mayor – Welcome everyone. I'll now turn the meeting over to Gary Meeks our Clerk/Treasurer who will introduce our guests.

Gary Meeks- Thank you Leigh So we have a couple of people from our external Auditor firm BST. Bill Freitag and Mike Evans who is the Auditor in charge and Bill has prepared a power point presentation will share with you all and Bill, I'll turn it over to you and I'll walk us down thru the slides and let you do the speaking Okay.

Bill Freitag- Great – Great and I'll make a little noise when you need to change the slide. Just like in my elementary school days – ding. Okay you can change the slide. Can everyone see the slides?

Zoom people- Yup

Bill – I thought this was a good way to present a in a virtual and remote environment here. The other thing is if you can get your hands on the hard copy of this. Gary and Holly have distributed but they have hard copies. The beauty of this is that you probably don't need to take many notes, because everything is going to be in the little package here for you. So, we are here to present the May 31, 2020 Audit. All the field work commenced under the direction of Mike Evans who is on the phone call who is our Auditor in charge. I think it's Mike's third year on the Penn Yan Audit, but in late July we were at the Village Office and we had a team of four people including myself and for about a whole week we drove Gary and Holly nuts, and they stood the challenged and did a great job and now they both Gary and Holly along with Mike who is on the phone; they will probably find every mistake I make in the presentation so it's a little payback time here. So, we were at the Village Office in late July the Draft Audit report that you have were submitted in early September to the Village there was a little bit of a delay in getting you the reports because we were waiting the Village was waiting on some reports from NYS Retirement System that were not available until, I believe August 24. So that held up the issues of the draft. So, on a go forth bases that will always be an issue. You need to wait on these reports from NYS Retirement System. They tend to come in late August. After many going back and forth reviewing the drafts with Gary and Holly and making the necessary revisions and tweaking of the wording. The Audit reports were issued on October 9, 2020. So , that was good timing and the PSC report which were on annual filing to your Electric regulator was prepared and then issued in late September of 2020. So, all your filing requirements are now in.

Bill – change page Okay so, a couple of housekeeping items that we need to communicate to the Board. In 2020 you had to adopt some new Government Accounting Standards. The way these standards is written most time, they don't affect small or local Government's but you do have to adopt these so your current account policies are current with prescribed models for government reporting. So even though you adopt new government standards in 2020, they had no effect on the Village financial statements for 2020, but as the end of 2020 the Village is in compliance with all the accounting standards you would have had to adopted as a local Government.

Bill - next page Okay a couple of other communications no unusually transactions were identified during the Audit. Where'll say unusually we mean out of the ordinary of course of business, so there was nothing that seemed unique or different they you would probably see; or certain transaction that had no support behind them as it relates to intention so – no unusually transaction identify during our Audit. So that a good thing

for our Auditor's. In your financial statements their certain estimates, usually your dealing with real hard-core dollars amounts but there are some estimates that were made by management and that we tested for reasonable Include the amount or potential uncollectable receivables from your customers. Your composted absence in regards to unused time from your employee's depreciation expense is a big estimate because it's basically a rate that is determined based on the anticipated use of life of assets. Then you have two other items. Net Pension liability and LOSAP which the Fire award program. They are determined of those liabilities that come up as results to determine pension liability and LOSAP liability that determined by an outside external accuracy using very different assumption that will happen in the future.
Bill- next page
Gary – I'm going to stop sharing for just a second to see if anybody else is waiting to be admitted.
Bill – Okay
Gary – seeing none
Bill – Very good idea Gary we can all get continuing education credit for this. Alright. The beauty of the Penn Yan Audit is in the first bullet here. Here we only made one adjustment of the May 31, 2020 financial statement that was related to the LOSAP waiting to get the actual report in. So, with the only one Audit adjustment made during the year. You can basically have very good reliance and good high confidence in the monthly financial information you get form the Treasurer Department. Not may folks, not many local governments go through an end of the year audit, with only one audit adjustment. Usually there is several and some of them are usually pretty significance but in regards to Penn Yan. You got a great treasurers department. One audit adjustment your financial statement do not contain any uncorrected statements things that were possible were wrong. That we were could have passed on because of materially but we didn't even come across any uncorrected mis statements. No disagreement with management. Things that were discussed with management probably the biggest thing discussed with management this year outside of some of your work labor force issues was the fact of COVID-19 padameic on operations as matter of fact financial statements this year include a disclosure on some risks and uncertainty as it relates to COVID- but the foot note disclosure for COVID for the Village of Penn Yan basically said that yes it might have had impact on us but we don't think in the impact is significant, but since it's not over we don't know what the future holds it was kind a vag disclosure in there that must local goverments have put in. My guess is some where along the line because of COVID it might be some cash slowdowns because of customer payments that you migh5 have been experiencing over the summer and in general funds you might have had some changes in your revenue streams that maybe not have happened but certainly not a significant dollar amount. At the end of the day no difficulties in performing the audit. I will say this Gary and Holly are on the video here. You have an outstanding Accounting Department at Penn Yan and we appreciate that and I know you appreciate that as you go around the state, we probably 100 audits or perform accounting assistant Village thru out the state and you guys are right in that upper etchalone in regards to skill set and how prompt you prepare and how well you are prepared for your year end Audit. We appreciate that and that's the only kudo's I give Gary and Holly the rest of the way, but we certainly appreciate it and you should feel a high level of comfort on a forgoing bases. Next slide Okay so, your audit your audit in this particular year is comprised of two separate and distinct processes. The first thing we got to do is an audit of the Village's financial statements which we do every year. It verifies the accounting and account balances in the financial reports of the Village so that's kind of the numbers piece or financial piece of it. Then you have a second process this year called the compliance portion of the audit and also known as a single audit because the Village had several Federal Programs that when combined the entire Federal Assistance was greater than 750,000 once you hit that thresh-old of $750,000 in Federal assistances in any given fiscal year you have to have what's called a single Audit and the external Audit is the State has to do a review of these particular programs and expenses you had in those program and make sure they were appropriate. So, this particular year you had a HUD grant. CDBG, Block Grant and some money coming in from US DOT. Had money coming in from FEMA various disaster and homeland securities which was a fire fighters grant. So, in all those programs added up to $750,000 dollars or greater and because of that you had to have what's called a single audit. When the single Audit hits the thresh-old hits, your financial statement now actually go beyond the Village Hall and Federal Government gets a copy of your financial statements and your compliance report under

the Federal programs so that they can say that you were not only in timely with your reporting but you were in compliance with you attention with the program. That doesn't happen every year. I believe you had a single audit last year but not the year before. It all depends on how much money a federal dollars you expend in a given year, and that $750,000 dollar thresh-old has been around for a while been talked about moving it to a million to possibly help out the small local goverments and the cost of audit but that if in fact you guys run $750,000 or greater. Next for year you will be subject to this kind of an audit going forward.

Gary – Just for the Board purpose. I will elaborate. So, a couple CDBG programs we had a small amount to spend finishing up the water Main on Sheppard, Johnson and Myrtle and then we had some spend for Parker's Grill CDBG grant. The US DOT is completion of TAP grant which was many years in the making. FEMA was the final bank stablishties project from our flood of 2013 or 2014 rather and the home land security firefighters grant was Air Packs for our Fire Department.

Bill – Okay So, at the end of our Audit the most important thing you get from us is the Auditors opinion . So, this year you got an Auditors opinion on the Financial Statements. We gave you what's called an unqualified opinion and also known as in the market place as a clean opinion and it's the highest level of insurance that you can get from an external CPA firm and basically says that your Financial Statement are correct in accordance with general accounting principles from governmental units and again the highest level of insurance, we're we had never had anything different than at Penn Yan and I don't expect it to be any different going forward. So, you have the highest level of insurance on your financial statements. We also wish your single audit reports which are basically the over anticipation that we reviewed your programs and there were no complaints violations and no violations with in-regards to your internal controls that underline your accounting systems and this is what the Federal Government is looking to see. To be honest with you they probably don't care much about the Financial Statement they care a lot about the single audit reports. These opinions are more important this year than they were years ago for you because this year was as last year your financial statement go to an external party which is the U.S. Government and is process through a federal clearing house. Okay.

Bill – Okay the Financial Statements you basically have two things going on Audit for you the Financial Statement you have the Audits which is called the Village's Governmental Fund types and those make up your General Fund, capital Projects Fund, Community Development Fund, Debt Service Fund and Cemetery Fund. Then you do another Audit of the Village's Proprietary Funds, which is also known as you Enterprise Funds, which at Penn Yan is Water Fund, Sewer Fund and Electric Fund and why these are called Enterprise Fund is because they are account for and operated like a business type. Activity as very similar to a privately run corporation so the accounting for your Proprietary Funds is pretty similar to any kind of for-profit entity out there other than you paying corporation taxes. So, there is a little bit of a different bases of Accounting for Governmentally funds type the enterprises Funds but your financial statement are report as such. Okay next slide. Okay the Financial Statement are comprised of the various statements of the financial positions and operations. Those are all the numbers in there and then required foot note disclosures which goes on pages and pages and supplementary information that supports the Financial Statements in the front. I will say this it's a 44 pages document and that's why I did a power point presentation. I wasn't going to bring you through that. The Financial Statements are absolutely horrible to read, but if you ever took the time to took a gander of some of the footnotes that if someone who didn't know much about the Village would come out knowing a lot about the Village and the operations and the financial positions of the Village. So, at the end of the day it does tell a story it's just horrible reading. So, that's why you got the power point presentation here. Okay so, were going into the discussion on financial results of the individual Funds. Were going to start out with the Proprietary Funds or your Enterprise Funds. I will tell you this globally as an umbrella comment for this meeting as we go forward these are all positive conversation and even considering the effects of the COVID-19 situation that affected us in the middle of March and even with the labor force the issues as you faced during the year. Mostly specific in the electric utility all the comments as we go forward here, you're going to see is very very positive and to make a meeting more meaningful were only going to talk about the major operations funds of the Village, General Fund, Electric, Water and Sewer Fund and we certainly can get into discussion on the other fund if you want, but I don't think that is really necessary.

Okay, your Electric Fund this is the $50,000 quick view of the Financial Statements if you do have a Financial in front of you this page and the next page is really related to page 10 of the Financial Statements. I think we can just stay in these slides and it will be easier for you to read. I don't even have your Financial Statement open, other than these notes, my hand written notes here. So, electric Fund had a good year. Generating a net income of $132,000 versa $83,000 in the prior year. I think we are starting to see here is a very gradual affect of the most recent rate case rate increase given to the Village from the PSC a few years ago. So, I think we're going to see a steady kind of an arch moving forward and in terms of profitability of the Electric Utility. Sales of Electric were $4.3 million this year which represented an $86 thousand dollars increase, you'll kind of odd statement to make given the next bullet, but you did have an increase in your operating revenue of $86 thousands dollar during the year, but it was kind of a weird way we got there. The over all consumption system wide to your customer was down 4.1/2% and this is not unusual. We have seen it with all the municipalities across the state , the municipalities Electric across the State. A lot of people say well I think it had to do with COVID. COVID was probably a little bit of that but I think the greater effect was the winter of 19, 20 was actually much warmer than the winter of 18 and 19 and therefore your consumption in KWH down 4.1/2% system wide as you can see in regards to residential almost 8% consumption down, commercial was down 13%. So, how did we have increase revenues on less consumption. Well, a couple of things that came to mind was the industrial demand revenue that are in the industrial rate class, there revenues are actually based upon the prior year experience for kilowatts for demand. So, with the prior winter being colder and there fore a greater demand that actually had the effect on this winters billing to most of your customers. Now as we go forward in next year of a warmer winter 19, 20. The winter demand unless it gets really cold in upcoming year December, January and February. You'll probably see a little bit of a decrease in demand revenue, because it's based upon prior year experience. The other thing that was in the revenue stream this year. We have chatted about this before. You pay NYMPA your electric supplier on a monthly bases for them called RECS and ZECS the clean energy standard act that Governor Cuomo put in placed a few years ago. You actually bill your customers almost $400,000 Recs and Zecs in fiscal year 2020, because that's how it cost you through NYMPA bill and that's a direct pass through. That's up about $60,000 from the prior year in terms. One of the other reasons why sales went up this year even though consumption went down so, basically what's happening your customers are paying into this super fund of Governor's for renewal energy projects and zero emission projects to the tune of $400,000 and when you're talking about an entity that has $4 million dollars of gross revenue it's basically pushing 10% to your customers at the end of the year.
Bill – Next slide
Holly- Bill also with the electric revenue also had a rate increase or that went into effective June 1, 2019. So that also helped offset some of the lower usage with the higher rates.
Bill – Yes kind of interesting with the rate case with the public service commission sometimes you don't get the exact rate that you want to get or what you thing you need to have but the remedy to that is to sell kilowatt hours. In a lot of places who have gotten lesser rate increase than what they desired that actually did okay or better that okay, because of the kilowatt hours consumption increases. I think that's what your kind of seeing here a little bit to a certain degree as we move forward. If we have a more normal year in consumption, I think you're going to see the ability to generate what we call customer base revenue more of them. The beauty of customer base revenue is there a gross profit piece of base revenue. So, the more kilowatt hours you sell the more customer base revenue you have and therefore your able to better meet your normal fixed cost through salary, employee benefits and certain vendor cost. So, there's nothing like a nice cooler year or a hotter summer to give you KWH consumption up. The bill profit ability in to the Electric. Okay your operating expenses they actually totaled a bit of a mistake in the slide, a tune of $42 million, which is similar to the prior year of the $4.2 million. Your purchase power is at $2.8 million which is similar to the prior year and you think it would be down in consumption KWH hours were down on the energy piece cost was down, but your kilowatt hours were demand cost was up plus your, you buy into the transmission _**congestion**_ credits. That was up a little bit. That's a passthrough to your customers and then again, all your Recs and Zecs were up about $60,000 from the prior year. So, all in $28 million of purchase power most of all your other cost categories achieved remarkable similar. Results to the prior year. At the end of the day which

makes our life easier as your auditors. If you add up purchase power the salaries the benefits and depreciation it makes up 96% of your total operating costs if we nail those down, we know that your expenses are a good number. $96 million is definitely the same experience that must municipality Utilities in the State are the ranges are from 90-97%. You're at that high end of that range but that what makes, drives the expense side of the electric utility. I do want to point out that the expenses in 2020 include the normal rent, normal taxes and normal gross receipts tax that would be paid to the General Fund ever year. Which happened in past years. This year we recorded those as expenses but we recorded as it being subsidized by the General Fund and the reason why we include these expenses in your 2020 expenses. One. They are ligitated expenses and we want to keep them on a trend so the next time you increase your rate it's with the PSC. They can see these costs are viable cost to run the Electric Utility and that and you can't prove a point that you can't without them. So, it was determined and we continue to recruit these cost ever though they were not they were subsitidies paid by the General Fund but, to continue to recognize they are true cost of the electric utility and in the future rate cases. They have to be recovered by the future revenue of the Electric Utility. Therefore, allowing you to get the proper rates in place for these items. One other item

Carolyn – Bill so for this year and also for June 30, 19, because we subsidize those items that year as well. There on the balance sheet as a payable or a do to.

Bill – No it's interesting the way you can make this work in government report is and it works both ways on this basically its General Fund has made it a contribution to the operations of Electric Utility. So, it's not due to the General Fund so therefore it's not a liability on the Electric Fund books it's basically an equality item. Giving you equality in your net book value of you electric Utility. Now conversely on the other side every single year the Electric Utility makes contributions to the General Fund. For example. Street lighting $120,000 a year same dollar in fiscal year 2020. So, the Electric Department donated Street lighting to the Village of $120,000 divided 2020 and they also donated about $9,000 in labor and material to do projects for the General Fund. So, at the end of the day that not asking to be reimbursed from the General Fund. The contribution going the other way and that happens every year and this is perfectly fine to account it this way, but we thought it was important for after speaking with Gary and Holly on this we thought it was important to keep those expenses continuing namely for purpose to establish next rate increase we didn't want. We didn't want to lose the integrity of those expenses because eventually you'll have to start paying them back,

Carolyn- Yup absolutely

Bill – Okay So, that was actually a Gary and Holly catch and we worked around it and talked about it, said this is what we need to do. Okay So, what does this all mean. The operation for 2020, what does it mean on the balance sheet of the Electric Utility. Well, your cash balances at the end of May 31 2020 total $869,000 that was an increase of $440,000 from the prior year. Again, you generate a positive profit. Okay you got a significant dollar amount that's depreciation expense which is a non cash expense so that kind of increase your cash balances. So, from an operating perspective you really had a nice year from a generation of cash perspective. So, of that $869,000 you have $238,000 which is somewhat restricted. It's not illegal restriction you can always use these dollars, but in these dollars are ear marked for the future replacement of existing operation of Electric Utility and at that something power authority and Public Service Commission want Village Boards to do is manage their money. They build up these reserves, so you don't have to rely on debt financing as much in the future, even though financing is pretty cheap these days with the interest rates they still want you to set up these depreciation reserves and a portion of your rates. Your customers allow that it to happen. So, at the end of the day out of $869,00 $238,000 is restricted for this depreciation reserve you have another $62,000 restricted because of customer deposit and another $6,000 reserved for Economic Development for future Economic Development. So, you're sitting on about $570,000 unrestricted cash that can be used to finance day to day operations, capital improvements of the Electric Utility.

Holly- I just want to make a note as well include in that balance we did borrow some funds for capital projects and the remaining proceeds that weren't utilized as the end of the year, were about $367,000 of that $500,00 cash balances that you had noted there is intended to use for the Horizon Park project that was borrowed for.

Bill- Yes good, good point they were unused debt proceeds for a specific project in a sense they are restricted, but they are part of that unrestricted dollar amount. I just mentioned. Good point at the end of the day your cash on hand if you would take your expenses for fiscal year 2020 and remove the depreciation expense and divide that by 12.

That would give you your monthly cash out flow necessary. Your cash on hand is now at 1.7 months of your normal operating expense. Still looks a little bit below were the Public Service commission and NY Power Authority would like your to be at two there range now is better were two – three months but, certainly increasing. So, we have gone from very small ratio before the rate came to a positive. That were starting to hit that 60 day – two- month type of window regards to cash balances. Okay next slide Okay in addition to the cash balance is ne of the large items is the balance of the Electric Utility is the value of your Plant. So, your Plant Value increased by $608,00 from the prior year and here are some of the items or asset classification that were hit up with the most money. Horizon Park renovation $156,000 the sub station $22, 000. You put $237,000 in your poles and related equipment and your overhead and underground conductors at 196,000. Street lighting and transportation make up the majority of that $608,000 addition to 2020. Your gross cost of your Plant at the end of the year is about10.8 million dollars. Your accumulated depreciated on that 10.8-million-dollar plane is about 5 ½ million giving you net book value of 5.3 million dollars. At the end of the day that's what it says is that your plant everything that is out and in service is 51% depreciated. So, basically ½ of their use of their life is remaining. I did a little survey of all the Utility in the state early this year. Average of the Utility that are with in the MEUA group they are 56% depreciated so you are below that average of the entire group of 48 amounts the state and believe it or not there are three or four Municipalities that 80% or above depreciated. The reason why this so important to the municipalities is because the system is the largest component of what's called your rate base. It's your value of your plant when the PSC designs rates they base it on a rate of return model which is your net income divided out by the value of your plant. So, the higher the value of your plant the greater net income your allowed to generate to reach their prescribed and rate greater returned. So, it's important that you continue to reinvest into your system and to keep the values of your property at a higher level and basically 51% from growing greater. So, what you need to do every year is basically have additions that are equal to or greater than your annually depreciation expense, and that we allow this ratio to stay where it is and allow the greatest possible success on your next rate increase.
Okay next slide. Also, in 2020 you paid down $150,000 of Long-Term debt. You have one outstanding Bond which is a balance of $345,000 at the end of the year that's due in December of 2024, it will matter. Next years current, next 12 months principal payments that are due this particular Bond payable $65,000 the two NYPA Loans you have. I believe it's for two different vehicles. I think one is a pick-up and one a bucket truck Gary.
Gary – That's correct -yup
Bill – Okay these are financed through NYPA bridge loan program which is a zero % loan program and to be quite honest with ya everybody should be in this program and take advantage of it. At the end of the year the balances that those two loans $72,000 and they will be fully paid off by April of 2021 and the benefit of this program is that it's a monthly payment to NYPA for the loans are passed through to the customer by via PPAC process bill. So, basically the zero % interest loan that is financial by a change that's on your customers bill at the end of the day the Village has enjoyed the use of these two vehicles without spending its own operating cash. So, very good program to be in. Also as discussed, a little while ago an issued of $700,00 BAN during the year for a certain capital improvement and those capital improvements are not done so there is some remaining cash proceed that's left to the tune of $380,000. Okay the one thing we we waiting on in August to get to get to our financial statement to be issued was this thing called a GASB impact. We chatted about this pass board meeting. This is the Village Penn Yan's share program of share of the unfunded position of the NYS Retirement System. So, what happened this year was the retirement system was valued on March 31, 2020 and you go back to that date that was the lowest of the stock market had been in the last four tears. So, because the assist that underline the Plan obligation with the press so much. They have come back, obliviously since that time, but at that particular time it was valued there was a tremendous difference between the value of the investments versa the obligations of NYS Retirement System. In general, to give you a measuring stick at the end of March 31, 2019. The NYS Retirement system was 96% funded almost 100% funded on March 31, 2020. Because of the value based the press that 96% went all the way down to 86% funded. Okay as I said as of now the performance of the stock market but what that did to the Electric Utility it raised its pension liability $386,000 end of May and $286,000 increase greater liability than it was a year before. Okay now at the same time you're not writing a check for this. So, that's a good thing and basically is a very

conservative approach that the Retirement System crashed. That would have been the Village of Penn Yan's Electric Utility portion of the crash. So, at the end of the day it increase your pension expense for this year alone by $72,000 if you recall the very first slide the next income of Electric Utility was $132,000. If we would have stripped that out, what I call this fake pension expense of $72,000 the adjusted net income really was $240,000 Electric Utility for 2020. So, this is kin of a paper entry. You not going to write a check for, but again account being very conservative to report these liability. The books so therefor 2020 was a big hit if the stock market continues the way it's going today until next March 31, 2021. I would expect this thing to basically reverse itself. So, you would actually be picking up incoming or negative expense as it relates to the pension money, but it's crazy thing when it hurts all local government and local government very very hard this year because of the under performance of the stocks. Okay next slide two more slides Electric Utility next position of the Electric Utility which is your fund balance let's call it increased $402,00 from the prior year primarily from the net income generated. You have a net position Fund balance at the end of May 31, 2020 of $5.3 million dollars of which 4.6 million of that 5.3 million is the value of the Plant is the dollars that were invested in you plant that are oblivious not cash availably to you $307,000 is restricted. Mostly because the depreciation reserve and $434,000 are unrestricted fund balance used for future budgets. Rate of return generated for 2020 money was almost 3%. I think Gary and Holly you can correct me if I'm wrong that falls 3% rate in return fall a little bit lower than what was built into your rate on the last rate increase, but I will tell you this it might come as a surprise to Gary and Holly. I'm about to do another rate filing for the Village of Tressa up near Fort Drum and the rate of return at the PSC is now allowing 1.9%. So, if you would go in for a rate increase today. Well, you couldn't go in for a rate increase. Maybe you're outperforming where they want you to be and so why you didn't hit the rate of return. That was built into your rates is still a pretty good rate of return, and certainly above the PSC would like you to be today. Next Slide So, just a couple of really quick ratio's that I like to see the Electric Utility and it's very important to report the current ratio which is actually is your current liability. So basically, your cash and your account receivable dollars that are due from your customers versa your short-term liability which is basically your account payable and some other short-term debt. You have a ratio of 1.4 to 1. So basically, you you assess are exceeding, your short-term liability which allows you legality, your legality is ratio has approved since you went in for a rate increase and rule of thumb is for Electric-Municipal Electric Utility 1.5 back to one appears to be adequate for an Electric Utility to move forward. The other thing is that is very important on that your debt. Your total debt of the total Utility include your capital accounts payable Bonds payable to your total asset is at 25% and both the Power Authority and Public Service commission like you to keep this rate below 30% which you have done. This debt total asset ratio has approved since rate case was put in place. Now at the end of the day another improvement statics for the Electric Utility most likely result as the rate case is the available to generate cash and you sitting now 1 ½ -2 months of cash on hand and fund your operation. That's all I have prepared for the Electric Utility. Any questions or desire to chat about anything else before I go into Water. Hearing none. We will go into Water Fund. Okay Electric Fund because it's your biggest fund in terms of volume of transactions. It intends to take a little bit longer so these next three Water, Sewer, General will go quicker. The net income for fiscal year ending 2020. $161,000 as oppose to $333,000 in the prior year. Your gross revenue of fund issue was $1,781,000 versa $1,876,000 down about $95,000 or 5% from the prior year. Your operating expense about $1,600,00 were up $63,000 grand from the prior year. 4% and interest expense $54,000 your outstanding Bond obligation was $54,000 less from the prior year which was expected the scheduled amortization for these items. One of the things we have to remember in the operating expense section here $1,599,00 a big piece of that is the depreciation expense on the infrastructure of the Water Department and that total is $382,000 of that $1,599,000 that basically depreciation expense or 25% of you operating expenses which because it's such a large number and you generate a large decent set income because the depreciation is a non cash expense it allows you to generate good cash flow in the Water fund.

Next slide - Okay at the end of May 31, 2020 unrestricted cash by the Water Fund total $766,000 restricted cash which is restricted for future capital reserves $1,385,000 which is very very similar to last year. Your cash balances actually over all is decreased $92, 000 for the reason that is – is that you generated cash from operations of about $630,000 so the sale of water and expenses to generate those sales had net $628,000 of positive

cash flow but then we used $260,000 of that positive cash flow to pay down debt and $437,000 to make additional capital improvements in fiscal year 2020. All those capital improvements were made out of your operational cash balances. No new debt for the Water Fund. The Water Fund was issued in 2020. So, everything you paid in capital improvement over and above day-to-day operating costs were paid for out of you existing cash balances okay. That's how you get cash balances and decreases of $93,000.
Next Slide – At the end of May you had sewer had sorry water had two outstanding Bonds $1,280,000 maturing in 2032 and $548,000 maturing in 2026 total $1.8 million dollar of outstanding Bonds in the Water fund of that $1.8 million. Next year you're going to pay about $178,000 of Bond principal on these two Bonds. So not a tremendous strain on your cash flow there of these existing Bonds which are at a very low rate.
Next slide – So at the end of the year. Your net position is very very strong. Fund Balance $7.1/2 million of which $5.4 million is invested in the plant which is in the ground. A million four is restricted for future capital expenditures and $744,000 is in restricted. We use for future budgets. The current ratio again like I described in the Electric Utility. Your current assets, basically your cash and receivable from your customers versa your current liability is 9.2 to 1 very positive liquid position. Even if we removed the million four of the restricted cash, you're still sitting on a 4 to 1 ratio, which basically shows you. What, how high your liquidity is in the Water fund. Based on your current operations you're operating expenses , your cash on hand would allow you to go 7 ½ months before you would exhaust the cash balance. So, again very good position for liquidity stand point and your debt. Total debt to your total asses hold by your water fund and around 24%. Once again, being below that bench mark of 30% for Utility. So very strong financial position at the end of May your capital asset related to the water fund. The gross historic cost of though asset and about 14 million dollars. You have about 7 million dollars of accumulated depreciation leaving you with a next book value of about 7 million dollars. So, a lot of dollars invested into the Water Fund. Plant property, equipment, but over all very very strong financial position and measure liquidity.
Gary – Just a quick comment on the Water Fund so 7 ½ months of cash on hands that is to cover monthly operating expense, obliviously with the Water Fund, when you're putting in water mains and things like that its', we wouldn't cover with capital expenditure. So, it's put us in a health position as we have to replace Water Main and sometimes, we can just do that with our cash on hand. Without borrowing or you know or if we can't get loans or grants. We might have to dip in to that cash on hand. So, health position to be in but there's significant capital expenditure you're holding on to that cash for.
Bill – Yes also make note Gary that you're sitting on about a million four reserve from future expenditure that obliviously can dip into that also.
Gary - that is pretty much is all with our Water Treatment Plant. We got a wholesale customer reserve that we set aside for potential of a reserve in the future. So, some of that it's account for
Bill – Yes certainly Okay, good point Gary Okay were going to get in the Sewer fund here. Sewer Fund had a very nice year strong net income of 1.1 million dollars a suppose to $880,000 in the prior year that represent an increase $220,000 grand your gross revenues at 3.0 almost $2 million were up $2,880,000 from the prior year or 10%. Your operating expense of $2,076,000 is up $65,000 from the prior year 3% but of that $2 million as we discussed in the Water fund that $2 million of operating expenses about $590,000 of that is depreciation expense on the capital assets that's owned by the Sewer Plant Fund and again that represents a pretty high percentage total operating cost of Sewer Fund. I think it paid almost 30% this year. So, that $600,000 depreciation expense being a non cash item automatically adds $600,000 of positive cash flow to - to your cash balances.
Next Slide- Okay unrestricted cash held by sewer Fund total $4,600,00 at the end of the year. You have $150,000 in restricted capital reserves future acquisition and your cash balance increase about $980,000 from the prior year. Cash amount operations that were generated during the year totaled $1.8millon so basically your sales, services less operating expenses. I gave you a million of cash flow , positive cash flow and that million 8 particular used four hundred thousand dollars in scheduled debt payment pre schedule of your debit instruments and you made $375,000 in capital improvements out of your-operating cash flow. I'm pretty sure would know, yes there were no new debt issues this fiscal year 2020.

Next page - at the end of 2020 the Sewer Fund has outstanding debit instrument bonds or loans. These 4 items $129,000 Bond that mature in November 2021. $2, 700,000 loan with zero % interest matures 2035. $300,000 is maturing 2026 and another 0% interest of $858,000 maturing 2047. The amounts paid in fiscal 2021 on these 4 Bonds total will be $380,000 that's pretty similar a little bit less than last year.
Next slide- final comment on the Sewer fund- net position fund balance very strong at 9.8 million. 5 million is invested in your Plant $148,00 restricted and 4.5 million fund balance unrestricted to be used for future budget your current ratio that we've done for both electric and Water and now sitting at 11 to 1 ratio. Your cash on hand is similar to same calculation for water is at 37 months, but obviously you have expense improvement to be made in the fund. But 37 months is quite strong, quite liquid and your debt total asset ratio at this time is at 32%. It Just has exceeded 30%. Kind of landing you know want to be , but the beauty that here is that big chuck of that debt is at Zero % interest. So, that kind of would you back a couple of that 32% because of you borrow free money. So, were good the Sewer Fund had a very good year from operational and its financial position as of May 31, 2020 and I assume today is in quite good shape as I said earlier in the conversation . I had nothing but positive for Penn Yan.
Gary - a couple quick comment as I know the Board has heard some of this. Relative to the Sewer Fund but, we did benefit this year somewhat beneficial we had a pretty significant capital project budgeted in our Waste Water Treatment Plant and we didn't actually execute that was built in our rates what we charge our customers. So, our income and revenue were both up. We got some pretty significate expenditures capital wise ahead of us in the Sewer Fund. I don't want to get too comfortable with the amount of cash that we have on hand, because we do have some significate expense coming our way.
Bill - very good economic model to get the revenue in first before the expenditures sure, right
Gary - yes
Bill - Okay last what we're going to that about before we talk about the overall picture is the General Fund. The General Fund had a very similar year to the prior year. We talk about next income or net losses in the General Fund it's revenue's exceeded expenditures or expenditures exceeds revenue. In this case you had a positive surplus to $446,000, $474,000 in the prior year. Your gross revenue's total 5.8 million which is at 11% increase from there prior year. How you got to that point of 5.8 million dollar was 3.2 million in property taxes another big portion was in NYS Aide and another big portion which drove the need for a single audit this year and Federal Aid of $672,000. So,
Next slide- Your expenditures for the year totaled 5.4 million which is about 15% increase from last year. Expenditures and those items are listed there on the bullets are the costs of the particular categories in regards to how much dollars you spent in each one of those cost categories of the General Fund and abolishing your increase, emergency disaster funding by expenditures during the year, which drove a portion of the single audit Federal compliance Audit. These other items a little bit up from prior year bur certain within reason had budgeted.
Next slide - you cash balances as of May 31 in total are a million in a ½. A million 2 - 1.2 million is unrestricted and you have that slide is a little but wrong. Should actual say $345 thousand is restricted for your capital improvements made to the General Fund Infrastructure. You have three outstanding Bonds at the end of the year. 1 is $40,000 which you might even might have paid off by the time this meeting here.
Gary - correct
Bill - and $1,165,000 matures in 2026 and another r $470,000 matures in 2027 of these three Bonds the fiscal year 2021. You will pay $308,000 of principal's payment. The General Fund - fund balance at the end of the year was $3 million. $1 ½ million dollars is restricted of that $3 million dollars as it relates to the investments. There held in the LOSAP and the other million five is unrestricted for use in balancing future budget if necessary. So, very good. Strong position. A couple years ago LOSAP and the accounting requirements had to be reported in the general fund. I think that is a little but misleading, but that's what accounting folks when they watch to be but that million in the fund balance is total made whole but he investment that are in the - that are now presented in the General Fund. But not mad available in the General Fund. To make sure everyone is known that.
Okay next - Okay over all we talked about the 4 main major operating funds. Village wide your total infrastructure - Electric-Water-Sewer and everything that is owned by the

General Fund you have a net book value of $28 million $6 ½ million basically in General Fund. $21 ½ million dollars in the Electrical. Water, Sewer combined. During the cost of the year. I thought had a very fair allocation amongst the fund. You had 2.1 million in infrastructure related to the General Fund and another $2.1 million of in necessarily made to the business type fund. General , Electric, Water, Sewer.
Next - Outstanding indentures of the entire Village of all funds is about $8 million as of May 31. The current installment against those bonds loans in fiscal year 2021 is about $930,000. You also have Bonds anticipated note Village wide of about $1.6 million and the thing we chatted about before the next pension liability we related and retirement obligations. The Village portion at the end of May 31, 2020 was $3.7 million versa about $1 million dollars last year. So, you can see how those, the underlining invested evaluation took a hit for ever local Government and that's the impact just in Penn Yan and itself. So, pretty sizable were just glad you don't have to write checks for those things. But I would point out one thing it's possible that future contribution your annual contribution to retirement system could be affected by that meaning that your annual contribution that you write the check for could be higher because that stock market has come back and exceeded, we have. I don't think that is going to happen, but in stock market stayed depressed I think every local government would have been writing a much beiger check that they had in the last couple years. Because the market performance since March 31. I think that concept is probably not viable at this point. As we said earlier the Electric Fund donated street lighting to the General Fund of $120,000 in addition the water sewer funds paid rent to the General Fund of $85,000. The water fund also paid a PIOLT payment to the General Fund of $29,000 and as we stated for going in the other direction General subsidized electric for rent, taxes and PILOT of $189,000 for the year. To wrap up Strong Fund balances and Fund Balances basically represent the total revenue of every fund less the total expenses of ever fund life to date. So, the General Fund is sitting on a positive fund balance of $3 million Water Fund $7.5 million Sewer at $9.8 million and Electric $5.3 million dollars. For a positive fund balance at the end of the year which again at the end of the day fund balances is really a measurement of financial position of Utility or General Fund. So very strong good year. Good year operationally , good financial position on May 31, 2020 and improving statistics and ratios of a nice incline for most of your funds.
Okay - last slide is questions. That is all the prepared remarks and I promised I didn't talk about the financial statement themselves which is always a good thing. As questions on presentation and the work we did any concerns or going forward that we can help you with as I said to Gary and Holly, we are always reachable to anybody Board members just give us an e-mail call feel free to. Were here to work with the Village as bring your auditors, but I thought it was a good audit. Very efficient. I wish it wouldn't be delayed because we get this reports out quicker but I don't think that is possible with the way NYS Retirement system reacts to things but, I think it was good and we had a good experience with the Audit. Very efficient and I think everyone stayed Social Distance for the most part and I think we were pretty safe and a very positive experience for us as your auditors and we appreciate that. Any questions Gary, Holly anything to add. Mike,
Mike - I think you covered it
Gary - I think you cover it quite well Bill it was a positive experience for us once again this year we all had some significance challenges with COVID. I want to recognize BST really had a back log of work heading into the summer time. I appreciate all your efforts to keep our Audit on track as well. Knowing the issues, you were dealing with. Other Audits got pushed off in the Springtime.
Bill- it was kind of interesting without naming any names. I had an audit team out at the a Village in Mohawk this week and turned out on Monday we learned that on Monday that might have been exposed to someone that tested positive. We had to pull out of the field because we didn't want to do any damage to the Village of Mohawk and that team Audit team worked the entire week from the hotel, they did the entire Audit remotely through e-mail and our portable and it was actually pretty efficient. We stayed out of the client's hair and we literally work the entire day from the desk in the hotel room. So, we learned a lot of things about how we can work on a go forward bases especially with clients who are far from our Office and things like that. We did the extra Electric Audit back in April 100% remotely and that included doing a physical observant inventory, walking around the yard with the superintendent facetime on my I phone and we were counting things is a snow storm. It's really quite amazing how we all have had to change our way a little bit and it's worked out well and because of the great information we got out of Penn Yan. If we ever had to do a remote Audit for Penn Yan. I would feel 100%

confident that we could do a quality audit and an efficient Audit at Penn Yan. I can't say that forever were but Penn Yan would be one of those places. But it can be done and I think it has changed the way a lot of people will look at things. As of matter fact, we have an office that $30,000 sq. foot in Albany and because of what have seen since months and not using that Office. Are lease is coming up the end of the next year - were actually thinking to down sizing to about 10,000 sq feet. Just because there is no one in our office and it's working. We have learned a lot of things. It is unfortunate but also had an officer in NYC that we ended up getting rid of, lease was up in May and we got rid of that because most folks didn't want to go down to the city and this whole video Zoom thing and use port holes really allowed us to stay efficient and everyone stayed safe. So, it can be done. We do like seeing you in person but the lack of that it can be done incase this thing go a little bit longer it work. So, this right here is proof of it.
Mayor - yes usually to end this I say have a safe trip back to Albany. So, safe and stay safe and well.
Bill - If no more questions. Thank you for all your knowledge in site and who you are and the relationship we have had with you over the years. It's been great for us and hopefully mutually beneficial. We believe that things are going really well for Penn Yan and we certainly wish you all safe Holidays. I certain enjoyed Thanksgiving with less than 10 people in your house and enjoy the Holidays.
Mayor - Thank you very much Bill, Mike, and Gary and Holly great job. Thank you, thank you any other business to address this morning well if there's no comments or guest
Trustee Benedict - I'll make a motion to adjourn
Trustee Condella - second.

MOTION by Trustee Benedict, seconded by Trustee McLoud to authorize to have an Executive Session for legal counsel on contractual issues.

ADOPTEDAyes 7 MacKerchar, Benedict, Condella, Hoban, McLoud, Spencer, Stewart
Nays 0 Abstain 0 Absent

<u>Comments:</u>

<u>EXECUTIVE SESSION:</u>

At 9:16AM, **MOTION** by Trustee Benedict, seconded by Trustee Condella to enter into Executive Session for contractual issues.

ADOPTEDAyes 7 MacKerchar, Benedict, Condella, Hoban, McLoud, Spencer, Stewart
Nays 0 Abstain 0 Absent

<u>ADJOURNMENT OF EXECUTIVE SESSION:</u>

At 10:15AM **MOTION** by Trustee Benedict, seconded by Trustee Condella to leave Executive Session and return to regular Village Meeting.

ADOPTEDAyes 7 MacKerchar, Benedict, Condella, Hoban, McLoud, Spencer, Stewart
Nays 0 Abstain 0 Absent

<u>ADJOURNMENT:</u>

At 10:16AM, **MOTION** by Trustee Benedict, seconded by Trustee Stewart to adjourn the regular Village Board meeting.

ADOPTEDAyes 7 MacKerchar, Benedict, Condella, Hoban, McLoud, Spencer, Stewart
Nays 0 Abstain 0 Absent

Mary Ann Martin, Deputy Clerk