

**VILLAGE OF EARLVILLE**

**Earlville, New York**

**FINANCIAL REPORT**

**May 31, 2014**

VILLAGE OF EARLVILLE  
FOR THE YEAR ENDED MAY 31, 2014

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*Certified Public Accountants and Consultants*

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Frederick J. Ciaschi, C.P.A.

### INDEPENDENT AUDITOR'S REPORT

Mayor and Village Trustees  
Village of Earlville  
Earlville, New York

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Earlville (the Village), as of and for the year ended May 31, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village as of May 31, 2014, 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.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-3g and 23-25 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 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2015, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

*Cianchi, Stutzman, Little, McLaughlin, & Company, LLP*

March 13, 2015  
Ithaca, New York

VILLAGE OF EARLVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MAY 31, 2014

The following is a discussion and analysis of the Village of Earlville's (the Village) financial performance for the fiscal year ended May 31, 2014. 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 Governmental Fund financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. The Management's Discussion and Analysis (MD&A) is only an introduction and should be read in conjunction with the Village's financial statements, which immediately follow this section.

#### **FINANCIAL HIGHLIGHTS**

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$797,715 (net position) down from \$822,433 in the prior year. To meet the government's ongoing obligations to citizens and creditors, \$247,754 (unrestricted) may be used.
- During the year, the Village had total expenses of \$555,948 that were \$24,718 more than the \$531,230 generated in tax and other revenues for governmental programs. This is an increase of \$16,478 from the prior year.
- The General Fund recorded an increase of \$6,184 in 2014 and had a total fund balance at the end of the year of \$278,659. In the prior year, the General Fund recorded a decrease of \$(4,178).
- The Village's debt obligations decreased by \$(66,000) during the current fiscal year from \$3,137,000 in the prior year to \$3,071,000 in the current year.
- The resources available for appropriation in the General Fund were \$(3,977) less than budgeted and the expenditures were \$71,401 less than budgeted. Revenues were less than budgeted for real property tax, nonproperty tax items, departmental income, licenses and permits, miscellaneous local sources, and State sources. Expenses were favorable compared to budget for all functional areas.

#### **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 Governmental Fund financial statements that focus on individual parts of the Village, reporting the Village's operations in greater detail than the Government-wide financial statements. The Governmental Fund financial statements report the Village's most significant funds.
- The Governmental Fund financial statements detail how basic services such as regular and special revenues were 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.

#### **Government-wide Statement of Net Position and Statement of Activities**

The Statement of Net Position and Statement of Activities 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.

VILLAGE OF EARLVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED MAY 31, 2014

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 financial 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.

**Governmental Fund Financial Statements**

The Governmental Fund financial statements are accounting devices the Village uses to keep track of specific sources of funding and spending. 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 and (2) the balances left at year end that are available for spending. Consequently, the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances provide a detailed short-term view that helps one 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 Statement of Net Position and Statement of Activities, additional information in the notes to the financial statements explains the relationship (or differences) between them.

**FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE**

The Village's *combined* net position for the fiscal year ended May 31, 2014 decreased from \$822,433 to \$797,715. The Village's investment in its capital assets (e.g. land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding, was \$412,286 at May 31, 2014. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided by other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

Our analysis below focuses on the net position (Figure 1), and changes in net position (Figure 2), of the Village's Governmental Activities.

**Figure 1**  
**Net Position**

	<b>Governmental Activities</b>		<b>Dollar Change</b>
	<b>2013</b>	<b>2014</b>	<b>2013 - 2014</b>
<i>Current and other assets</i>	\$ 253,096	\$ 254,228	\$ 1,132
<i>Noncurrent assets</i>	101,263	128,015	26,752
<i>Capital assets</i>	3,611,016	3,492,946	(118,070)
<b>Total Assets</b>	<b>3,965,375</b>	<b>3,875,189</b>	<b>(90,186)</b>
<i>Current liabilities</i>	71,942	73,474	1,532
<i>Noncurrent liabilities</i>	3,071,000	3,004,000	(67,000)
<b>Total Liabilities</b>	<b>3,142,942</b>	<b>3,077,474</b>	<b>(65,468)</b>
<i>Net investment in capital assets</i>	464,356	412,286	(52,070)
<i>Restricted</i>	110,923	137,675	26,752
<i>Unrestricted</i>	247,154	247,754	600
<b>Total Net Position</b>	<b>\$ 822,433</b>	<b>\$ 797,715</b>	<b>\$ (24,718)</b>

VILLAGE OF EARLVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED MAY 31, 2014

The increase in current assets is primarily due to an increase in cash and accounts receivable. Noncurrent assets increased due to an increase in capital reserves. The decrease in capital assets is primarily due to the accumulated depreciation of infrastructure. Current liabilities increased due an increase in interest payable and current portion of bonds payable. Noncurrent liabilities decreased due to the payment of the principle on long-term debt.

**Figure 2**  
**Changes in Net Position**

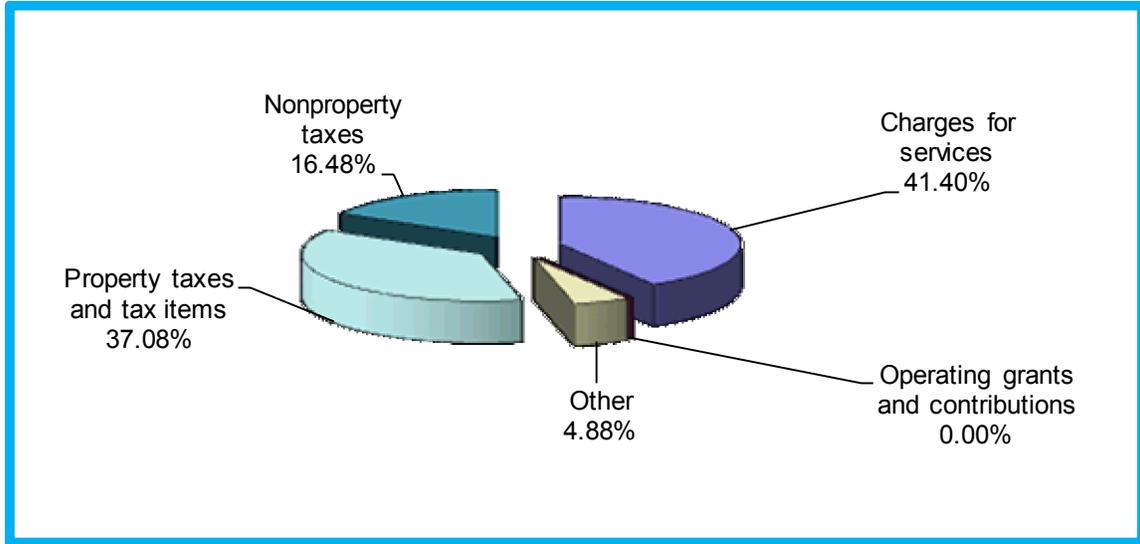
	<b>Governmental Activities</b>		<b>Dollar Change</b>
	<b>2013</b>	<b>2014</b>	<b>2013 - 2014</b>
<b>REVENUES</b>			
<i>Program revenues:</i>			
Charges for services	\$ 210,363	\$ 213,403	\$ 3,040
Capital grants	47,676	15,818	(31,858)
<i>General revenues:</i>			
Property taxes and tax items	189,098	191,131	2,033
Nonproperty taxes	83,439	84,939	1,500
State sources	11,463	11,871	408
Other	8,714	14,068	5,354
<b>Total Revenues</b>	<b>\$ 550,753</b>	<b>\$ 531,230</b>	<b>\$ (19,523)</b>
<b>PROGRAM EXPENSES</b>			
General government	\$ 135,254	\$ 155,828	20,574
Public safety	93,900	81,445	(12,455)
Public health	387	107	(280)
Transportation	77,210	52,416	(24,794)
Culture and recreation	31,089	28,781	(2,308)
Home and community services	178,946	163,179	(15,767)
Interest on long-term debt	75,163	74,192	(971)
<b>Total Expenses</b>	<b>\$ 591,949</b>	<b>\$ 555,948</b>	<b>\$ (36,001)</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>\$ 41,196</b>	<b>\$ (24,718)</b>	<b>\$ 16,478</b>

**Governmental Activities**

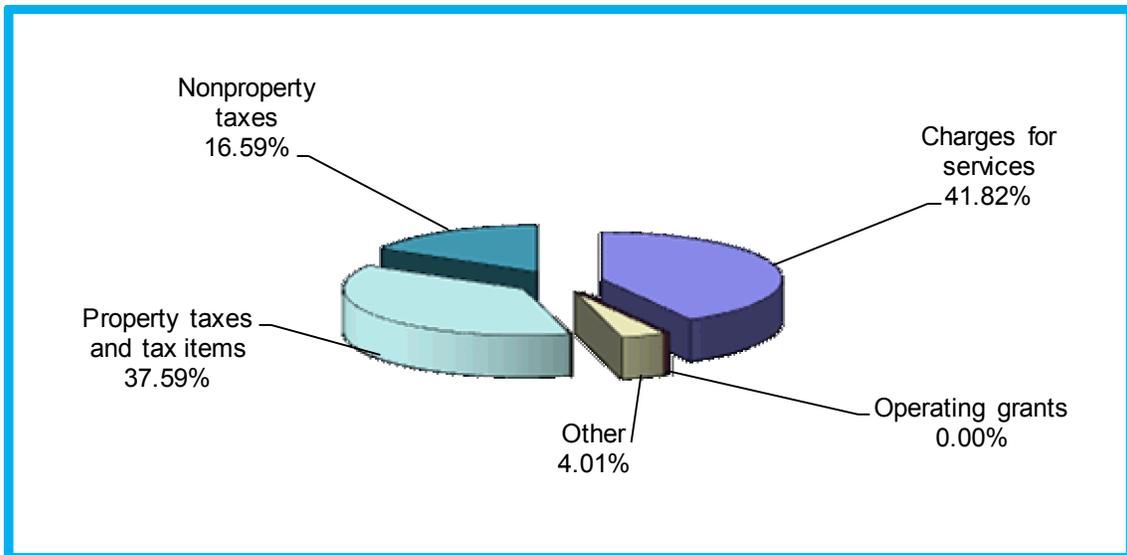
The decrease in capital grants of \$31,858 is related to the CHIPS revenue which was higher last year due to maintenance and paving of Village roads. Expenses in general government increased primarily due to the allocation of payroll, and higher utility costs. The decrease in transportation stemmed from a decrease in maintenance and paving of Village roads. Home and community services decreased, as the water capital project was completed in the prior year. Interest on long-term debt decreased as debt principle lowered.

VILLAGE OF EARLVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED MAY 31, 2014

**Figure 3**  
**Revenue by Source**  
**2014**

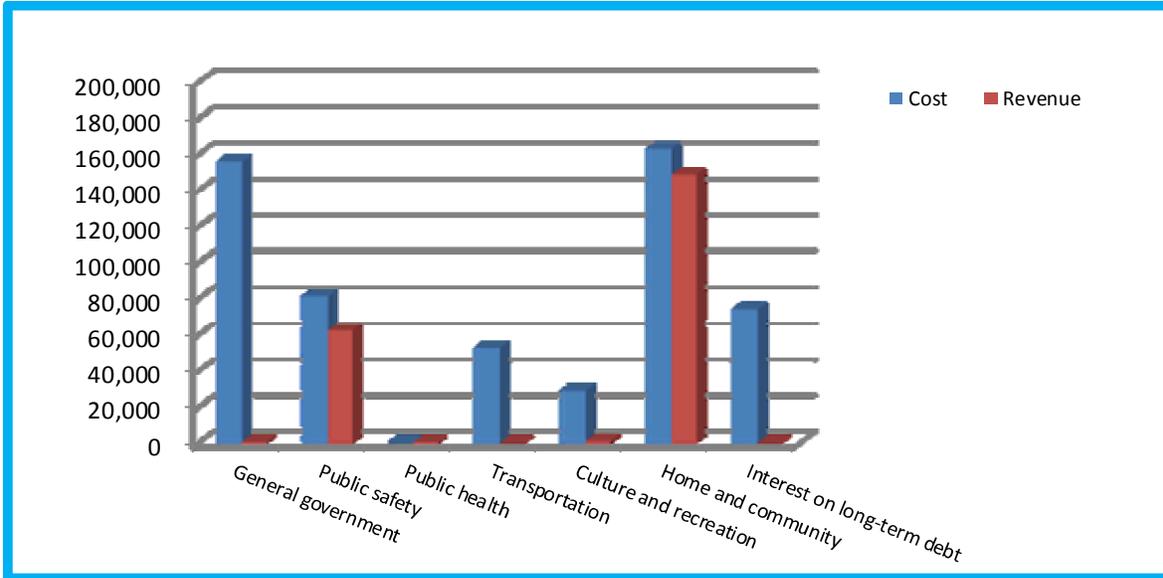


**Figure 4**  
**Revenue by Source**  
**2013**

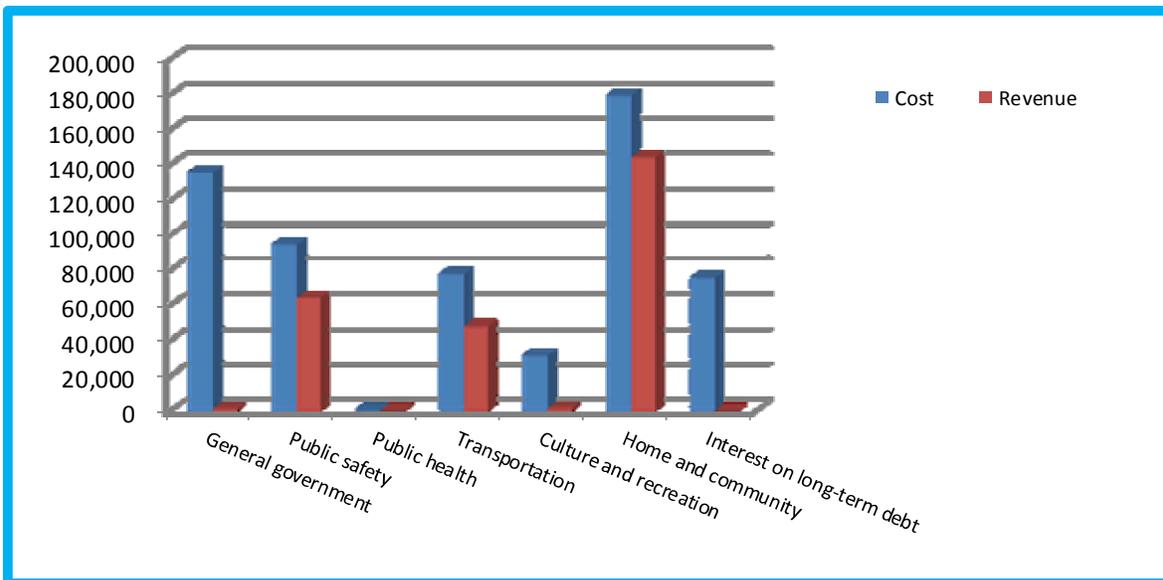


VILLAGE OF EARLVILLE  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (CONTINUED)  
 FOR THE YEAR ENDED MAY 31, 2014

**Figure 5**  
**Net Program Cost Governmental Activities**  
**2014**



**Figure 6**  
**Net Program Cost Governmental Activities**  
**2013**



VILLAGE OF EARLVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED MAY 31, 2014

**THE VILLAGE'S FUNDS**

As the Village completed the year, its Governmental Funds, as presented in the Balance Sheet on page 6, reported a combined fund balance of \$381,974, an increase of \$27,615 from last year's fund balance of \$354,359. Figure 7 shows the changes in fund balance for the year for the Village's Major Governmental Funds.

**Figure 7**  
**Major Governmental Funds**  
**Fund Balance at Year Ending May 31,**

	<b>Governmental Activities</b>		<b>Dollar Change</b>
	<b>2013</b>	<b>2014</b>	<b>2013 - 2014</b>
<i>General Fund</i>	\$ 272,475	\$ 278,659	\$ 6,184
<i>Water Fund</i>	72,224	93,655	21,431
<i>Capital Projects Fund</i>	9,660	9,660	-0-
<b>Totals</b>	<b>\$ 354,359</b>	<b>\$ 381,974</b>	<b>\$ 27,615</b>

**General Fund Budgetary Highlights**

Over the course of the year, the Village Board as well as the management of the Village revised the Village budget several times. These budget amendments consist of budget transfers between functions, which did not increase the overall budget.

Actual charges to appropriations (expenditures) were \$(71,401) under the final budget amounts.

Additionally, resources available for appropriation were \$(3,977) less than the final budgeted amount; stemming primarily from miscellaneous local sources and State sources earning less than budgeted revenue.

Figure 8 summarizes the General Fund original budget and final budget, actual expenditures (including encumbrances), and variances for the year ended May 31, 2014.

**Figure 8**

<b>Condensed Budgetary Comparison General Fund - 2013</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual w/ Encumbrances</b>	<b>Total Dollar Variance</b>
<b>REVENUES</b>				
<i>Real property taxes and tax items</i>	\$ 191,314	\$ 191,314	\$ 191,131	\$ (183)
<i>Nonproperty taxes</i>	73,500	85,835	84,939	(896)
<i>State sources</i>	12,526	29,039	27,689	(1,350)
<i>All other</i>	65,145	80,152	78,604	(1,548)
<b>Total Revenues</b>	<b>\$ 342,485</b>	<b>\$ 386,340</b>	<b>\$ 382,363</b>	<b>\$ (3,977)</b>
<b>EXPENDITURES</b>				
<i>General support</i>	\$ 151,923	\$ 167,335	\$ 133,319	\$ 34,016
<i>Public safety</i>	68,235	71,276	57,504	13,772
<i>Public Health</i>	300	300	107	193
<i>Transportation</i>	30,006	49,997	48,694	1,303
<i>Culture and recreation</i>	28,714	31,763	24,855	6,908
<i>Home and community services</i>	26,369	26,091	19,184	6,907
<i>Employee benefits</i>	33,643	36,283	27,981	8,302
<i>Debt service</i>	64,535	64,535	64,535	-0-
<b>Total Expenditures</b>	<b>\$ 403,725</b>	<b>\$ 447,580</b>	<b>\$ 376,179</b>	<b>\$ 71,401</b>

VILLAGE OF EARLVILLE  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (CONTINUED)  
 FOR THE YEAR ENDED MAY 31, 2014

Actual expenses were all favorable to budgeted expenses for all functional areas mainly due to decreases in central garage personal services and no need for the money budgeted in the contingency account.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of May 31, 2014, the Village had \$3,492,946, net of accumulated depreciation, invested in a broad range of capital assets, including buildings, machinery and equipment, land improvements and infrastructure. This amount represents a net decrease (including additions and deductions) of \$(118,070) from last year.

**Figure 9**

	<b>Governmental Activities</b>		<b>Dollar Change</b>
	<b>2013</b>	<b>2014</b>	<b>2013 - 2014</b>
<i>Land</i>	\$ 1,300	\$ 1,300	\$ -0-
<i>Construction in progress</i>	-0-	-0-	-0-
<i>Equipment</i>	219,945	194,728	(25,217)
<i>Infrastructure</i>	3,389,771	3,296,918	(92,853)
<b>Total</b>	<b>\$ 3,611,016</b>	<b>\$ 3,492,946</b>	<b>\$ (118,070)</b>

Currently, the Village has no capital projects in process. The large decrease shown is the result of accumulated depreciation.

**Debt Administration**

Debt (serial bonds and BANs payable), considered a liability of Governmental Activities, decreased by \$(66,000) and brought total debt to \$3,071,000 as of May 31, 2014, as shown in Figure 10. Total long term debt subject to the constitutional debt limit is \$209,000 and represented approximately 11.02% of the limit.

**Figure 10**  
**Outstanding Debt at Year Ending May 31,**

	<b>Governmental Activities</b>		<b>Dollar Change</b>
	<b>2013</b>	<b>2014</b>	<b>2012 - 2013</b>
<i>Serial bonds</i>	\$ 3,137,000	\$ 3,071,000	\$ (66,000)
<b>Total</b>	<b>\$ 3,137,000</b>	<b>\$ 3,071,000</b>	<b>\$ (66,000)</b>

VILLAGE OF EARLVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED MAY 31, 2014

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The following is a summary of currently known facts, decisions, or conditions expected to have a significant effect on the Government's financial position.

- ❖ 7% Increase in budgeted property tax for 2014-2015.
- ❖ Increase in Water Fund Debt Service Charge of 1% in 2014-2015 budget.

**CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about the report or need any additional financial information, contact Kelly Beach, Clerk-Treasurer, at PO Box 88, Earlville, New York 13332.

VILLAGE OF EARLVILLE  
STATEMENT OF NET POSITION  
MAY 31, 2014

Governmental  
Activities

**ASSETS**

Current Assets:	
Cash and cash equivalents - Unrestricted	\$ 233,529
Cash and cash equivalents - Restricted	<u>9,660</u>
Due from fiduciary funds	<u>494</u>
Other receivables, net	<u>10,545</u>
Total Current Assets	<u>254,228</u>
Noncurrent Assets:	
Restricted cash and cash equivalents	<u>128,015</u>
Land and other non-depreciable capital assets	<u>1,300</u>
Capital assets, net of accumulated depreciation	<u>3,491,646</u>
Total Noncurrent Assets	<u>3,620,961</u>
Total Assets	<u>3,875,189</u>

**LIABILITIES**

Current Liabilities:	
Accounts payable	<u>111</u>
Due to other governments	<u>158</u>
Bond Anticipation Notes payable	
Interest payable	<u>6,205</u>
Current portion of long-term liabilities:	
Bonds payable	<u>67,000</u>
Total Current Liabilities	<u>73,474</u>
Noncurrent Portion of Long-term Liabilities:	
Bonds payable	<u>3,004,000</u>
Total Noncurrent Long-term Liabilities	<u>3,004,000</u>
Total Liabilities	<u>3,077,474</u>

**NET POSITION**

Net investment in capital assets	<u>412,286</u>
Restricted	<u>137,675</u>
Unrestricted	<u>247,754</u>
Total Net Position	<u>\$ 797,715</u>

See Independent Auditor's Report and Notes to Financial Statements

VILLAGE OF EARLVILLE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MAY 31, 2014

<b><u>FUNCTIONS/PROGRAMS</u></b>	<u>Expenses</u>	Program Revenues		<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
General governmental support	\$ 155,828	\$ 638	\$	\$ (155,190)	
Public safety	81,445	62,388		(19,057)	
Public health	107	480		373	
Transportation	52,416			(36,598)	
Culture and recreation	28,781	1,050		(27,731)	
Home and community services	163,179	148,847		(14,332)	
Interest on long-term debt	74,192			(74,192)	
Total Governmental Activities	555,948	213,403	-0-	15,818	(326,727)
Total Functions and Programs	\$ 555,948	\$ 213,403	\$ -0-	\$ 15,818	(326,727)
<b><u>GENERAL REVENUES</u></b>					
				188,314	
				2,817	
				84,939	
				71	
				782	
				13,215	
				11,871	
				302,009	
				(24,718)	
				822,433	
				\$ 797,715	

See Independent Auditor's Report and Notes to Financial Statements

VILLAGE OF EARLVILLE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
MAY 31, 2014

	Major Funds			
	General Fund	Capital Projects Fund	Special Revenue Water Fund	Total Governmental Funds
<b><u>ASSETS</u></b>				
Assets:				
Cash and cash equivalents - Unrestricted	\$ 157,353	\$	\$ 76,176	\$ 233,529
Cash and cash equivalents - Restricted	59,046	9,660	68,969	137,675
Due from other funds	63,633		2,251	65,884
Due from fiduciary funds	494			494
Other receivables, net	696		9,849	10,545
 Total Assets	 <u>\$ 281,222</u>	 <u>\$ 9,660</u>	 <u>\$ 157,245</u>	 <u>\$ 448,127</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$	\$	\$ 111	\$ 111
Due to other funds	2,405		63,479	65,884
Due to other governments	158			158
 Total Liabilities	 <u>2,563</u>	 <u>-0-</u>	 <u>63,590</u>	 <u>66,153</u>
Fund Balances:				
Restricted	59,046	9,660	68,969	137,675
Assigned	65,140		24,686	89,826
Unassigned	154,473			154,473
 Total Fund Balances	 <u>278,659</u>	 <u>9,660</u>	 <u>93,655</u>	 <u>381,974</u>
 Total Liabilities and Fund Balances	 <u>\$ 281,222</u>	 <u>\$ 9,660</u>	 <u>\$ 157,245</u>	 <u>\$ 448,127</u>

See Independent Auditor's Report and Notes to Financial Statements

VILLAGE OF EARLVILLE  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
MAY 31, 2014

Total Governmental Fund Balances	\$	381,974
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Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Historical cost	\$ 3,859,295	
Accumulated depreciation	<u>(366,349)</u>	3,492,946

Certain accrued expenses reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in the funds.

Accrued interest payable	(6,205)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable	<u>(3,071,000)</u>
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Net Position of Governmental Activities	\$	<u><u>797,715</u></u>
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See Independent Auditor's Report and Notes to Financial Statements

VILLAGE OF EARLVILLE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MAY 31, 2014

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects Fund	Special Revenue Water Fund	
<b><u>REVENUES</u></b>				
Real property taxes	\$ 188,314	\$	\$	\$ 188,314
Real property tax items	2,817			2,817
Nonproperty tax items	84,939			84,939
Departmental income	1,708		148,847	150,555
Intergovernmental charges	57,884			57,884
Use of money and property	51		20	71
Licenses and permits	460			460
Fines and forfeitures	4,504			4,504
Sale of property and compensation for loss	782			782
Miscellaneous local sources	13,215			13,215
State sources	27,689			27,689
Total Revenues	<u>382,363</u>	<u>-0-</u>	<u>148,867</u>	<u>531,230</u>
<b><u>EXPENDITURES</u></b>				
Current:				
General governmental support	133,319			133,319
Public safety	57,504			57,504
Public health	107			107
Transportation	48,694			48,694
Culture and recreation	24,855			24,855
Home and community services	19,184		40,012	59,196
Employee benefits	27,981		12,030	40,011
Debt Service:				
Principal	45,000		21,000	66,000
Interest	19,535		54,394	73,929
Total Expenditures	<u>376,179</u>	<u>-0-</u>	<u>127,436</u>	<u>503,615</u>
Excess of Revenues (Expenditures)	<u>6,184</u>	<u>-0-</u>	<u>21,431</u>	<u>27,615</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers from fiduciary funds				-0-
Interfund transfers (out)				-0-
Total Other Financing Sources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess of (Expenditures) and Other (Uses) Over Revenues and Other Financing Sources	<u>6,184</u>	<u>-0-</u>	<u>21,431</u>	<u>27,615</u>
Fund Balances, Beginning of Year	<u>272,475</u>	<u>9,660</u>	<u>72,224</u>	<u>354,359</u>
Fund Balances, End of Year	<u>\$ 278,659</u>	<u>\$ 9,660</u>	<u>\$ 93,655</u>	<u>\$ 381,974</u>

See Independent Auditor's Report and Notes to Financial Statements

VILLAGE OF EARLVILLE  
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MAY 31, 2014

Net Change in Fund Balances - Total Governmental Funds \$ 27,615

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report purchases of capital assets as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital asset additions in the current period.

Capital asset additions	\$ 13,601	
Depreciation expense	<u>(131,671)</u>	(118,070)

Proceeds of debt is a revenue in the Governmental Funds, but is recorded as a long-term liability in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of payment of debt for the year.

Principal payments		<u>66,000</u>
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds.

Net change in accrued interest payable		<u>(263)</u>
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Change in Net Position of Governmental Activities		<u>\$ (24,718)</u>
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See Independent Auditor's Report and Notes to Financial Statements

VILLAGE OF EARLVILLE  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
MAY 31, 2014

	<u>Agency Funds</u>
<b><u>ASSETS</u></b>	
Cash and cash equivalents - Unrestricted	\$ <u>5,627</u>
Total Assets	\$ <u><u>5,627</u></u>
<b><u>LIABILITIES</u></b>	
Due to governmental funds	\$ <u>494</u>
Due to other governments	<u>5,133</u>
Total Liabilities	\$ <u><u>5,627</u></u>

See Independent Auditor's Report and Notes to Financial Statements

VILLAGE OF EARLVILLE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MAY 31, 2014

Note 1 - Summary of Significant Accounting Policies

The accompanying financial statements of the Village of Earlville have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

A. Financial Reporting Entity

The Village of Earlville, which was established in 1887, is governed by Village law and other general laws of the State of New York and various local laws. 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 following basic services are provided: water, public safety (police and fire) and maintenance of highways and streets.

All Governmental Activities and functions performed for the Village of Earlville are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of the following, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as amended by GASB No. 39, "Determining Whether Certain Organizations are Component Units" and GASB No. 61 "The Financial Reporting Entity: Omnibus."

- a. The primary government, which is the Village of Earlville,
- b. Organizations for which the primary government is financially accountable, and;
- c. Other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The decision to include a potential component unit in the Village's reporting entity is based on several criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39 and 61, including legal standing, fiscal dependency, and financial accountability.

B. Basis of Presentation

The Village's basic financial statements include both Government-wide (reporting the Village as a whole) and Governmental Funds financial statements (reporting the Village's Major Funds.) Both the Government-wide and Governmental Fund financial statements categorize primary activities as either Governmental or Business-type. The Village's general governmental support, public safety, health, transportation, economic assistance and opportunity, home and community services and culture and recreation, are classified as Governmental Activities.

1. Government-wide Financial Statements

The Government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of activities for the primary government. The focus of the Government-wide financial statements addresses the sustainability of the Village as an entity and the change in the Village's net position resulting from the current year's activities.

VILLAGE OF TRUMANSBURG  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED MAY 31, 2014

In the Government-wide Statement of Net Position, the Governmental Activities are presented on a consolidated basis by column, and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net position are reported in three parts - net investment in capital assets; restricted; and unrestricted. The Village first utilizes restricted resources to finance qualifying activities.

The Statement of Activities reports both the gross and net cost for each of the Village's functions or programs. Gross expenses are direct expenses, including depreciation, that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. These expenses are offset by program revenues - charges paid by the recipients of the goods or services offered by the programs, grants, and contributions - that are restricted to meeting the program or capital requirements of a particular program. Depreciation on assets that are shared by essentially all of the Village's programs has been reported in general governmental support. Revenues which are not classified as program revenues are presented as general revenues of the Village, with certain limited exceptions. The net cost represents the extent to which each function or program is self-financing or draws from the general revenues of the Village.

2. Governmental Fund Financial Statements

The financial transactions of the Village are reported in individual funds in the Governmental Fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

The Village records its transactions in the funds described below:

a. Governmental Funds

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

1) Major Funds

General Fund - Principal operating fund which includes all operations not required to be recorded in other funds.

Capital Projects Fund - Used to account for and report financial resources to be used for the acquisition, construction, or renovation of the Village's major capital facilities, or equipment.

Special Revenue Fund

Water Fund - Established by law to account for revenues derived from charges for water consumption assessments, and the application of such revenues toward related operating expenses and debt retirement.

VILLAGE OF EARLVILLE  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED MAY 31, 2014

b. Fiduciary Fund Types

Account for assets held by the local government in a trustee or custodial capacity. The following is the Village's Fiduciary Fund type:

Agency Funds - Account for money and/or property received and held in the capacity of trustee, or custodian or agent.

C. Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

1. Accrual Basis

The Government-wide financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Village's assets and liabilities, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual Basis

The Governmental Fund financial statements are prepared using 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. The Village considers property tax receivables collected within 60 days after year end to be available and recognizes them as revenues of the current year. All other revenues that are deemed collectible within one year after year end are recognized as revenues in the current year. 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 incurred. The cost of capital assets is recognized as an expenditure when the asset is received. Exceptions to this general rule are 1) principal and interest on indebtedness are not recognized as an expenditure until due, and 2) compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid.

D. Property Taxes

Real property taxes are levied annually by the Village of Earlville no later than June 1, and become a lien on June 1. Taxes are collected during the period June 1 through November 1.

Uncollected real property taxes are subsequently enforced by the Counties of Chenango and Madison in which the Village is located. An amount representing uncollected real property taxes transmitted to the Counties for enforcement is paid by the Counties to the Village no later than the forthcoming April 1.

VILLAGE OF EARLVILLE  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED MAY 31, 2014

Property tax revenues are recognized as revenues in the year they are levied.

E. Cash and Cash Equivalents

For financial statement purposes, the Village considers all highly liquid investments with original maturities of three months or less as cash equivalents.

F. Investments

Investments are stated at fair value.

G. Receivables

Amounts due from other governments represent amounts owed to the Village to reimburse it for expenditures incurred pursuant to State and Federal programs. Other receivables represent amounts owed to the Village including franchise fees and water rents. No provision has been made for uncollectible accounts for amounts due, as it is believed that such amounts would be immaterial.

H. Capital Assets

All capital assets are valued at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets. Governmental capital assets purchased or acquired with an original cost of at least \$500 and having a useful life of greater than one year are capitalized. The estimated useful lives for governmental capital assets are as follows:

Buildings	40 years
Machinery and equipment	5-20 years
Infrastructure	15-60 years

GASB No. 34 requires the Village of Earlville to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure in the Village of Earlville is optional under GASB No. 34, paragraph 148. The Village has elected not to retroactively report infrastructure assets.

I. Insurance and Risk Management

The Village maintains insurance coverage for most risk including, but not limited to, property damage and personal injury liability. 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. No settlements exceeded insurance coverage in any of the past three years.

J. Vacation, Sick Leave, and Compensatory Absences

Village of Earlville employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for only accumulated vacation at various rates subject to certain maximum limitations.

VILLAGE OF EARLVILLE  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED MAY 31, 2014

K. Equity Classifications

1. Government-wide Financial Statements

Equity is classified as Net Position and displayed in three components:

- Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - Consists of resources with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - Consists of all resources that do not meet the definition of "restricted" or "net investment in capital assets."

2. Governmental Fund Financial Statements

The Village of Earlville is in compliance with GASB Statement Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions." Statement Number 54 reflects spending constraints on resources, rather than availability for appropriation. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- **Nonspendable**  
Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.
- **Restricted**  
Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the Village's legally adopted reserves are reported here.
- **Committed**  
Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority, the Board of Trustees, prior to the end of the fiscal year, which requires the same level of formal action to remove said constraint.

VILLAGE OF EARLVILLE  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED MAY 31, 2014

- **Assigned**

Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

- **Unassigned**

Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

The Village of Earlville has not adopted any resolutions to commit fund balance. Currently, fund balance is assigned by the Village Clerk for encumbrances and designations. By resolution, the Village Board approves fund balance appropriations for next year's budget. The Village of Earlville has not formally adopted a policy defining the order in which to apply expenditures against fund balances. However, the Village of Earlville applied expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and then unassigned fund balance.

L. Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. All interfund activities between governmental activities are eliminated on the Statement of Net Position and the Statement of Activities.

M. Revenues

Substantially all Governmental Fund revenues are accrued.

N. 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.

O. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

VILLAGE OF EARLVILLE  
 NOTES TO FINANCIAL STATEMENTS  
 (CONTINUED)  
FOR THE YEAR ENDED MAY 31, 2014

Note 2 - Current Assets

A. Assets

1. Cash and Investments

The Village of Earlville's investment policies are governed by state statutes. The Village of Earlville'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. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit at 102% of all deposits not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. While the Village does not have a specific policy for custodial credit risk, New York State statutes govern the Village's investment policies, as discussed previously in these notes. GASB Statement Number 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village's aggregate bank balances of \$376,831 are either insured or collateralized with securities held by the pledging financial institution in the Village's name.

2. Restricted Cash

Total restricted cash of \$137,675 is comprised of \$59,046 capital reserves in the General Fund, \$68,969 for water improvements and reservoir, and \$9,660 in unspent bond proceeds in the Capital Projects Fund.

3. Other Receivables

General Fund - Other	\$	696	
Water Fund - Water Rents Receivable		<u>9,849</u>	
Total Other Receivables - Governmental Activities	\$	<u><u>10,545</u></u>	

Note 3 - Interfund Balances and Activity

Interfund receivable and payable balances at May 31, 2014 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenue</u>	<u>Interfund Expenditures</u>
General Fund	\$ 63,633	\$ 2,405	\$	\$
Water Fund	<u>2,251</u>	<u>63,479</u>	<u>          </u>	<u>          </u>
Total	<u><u>\$ 65,884</u></u>	<u><u>\$ 65,884</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>

VILLAGE OF EARLVILLE  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED MAY 31, 2014

Interfund receivables and payables are eliminated on the Statement of Net Position and the Statement of Activities.

The Village typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

Note 4 - Capital Assets

A summary of changes in capital assets at May 31, 2014 follows:

	<u>Balance at</u> <u>May 31, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>May 31, 2014</u>
<u>Governmental Activities</u>				
Non-depreciable Capital Assets:				
Land	\$ 1,300	\$	\$	\$ 1,300
Construction in Progress	-0-			-0-
Total Non-depreciable Capital Assets	<u>1,300</u>	<u>-0-</u>	<u>-0-</u>	<u>1,300</u>
Depreciable Capital Assets:				
Buildings	500			500
Equipment	355,545	13,601		369,146
Infrastructure	3,488,349			3,488,349
Total Depreciable Capital Assets	<u>3,844,394</u>	<u>13,601</u>	<u>-0-</u>	<u>3,857,995</u>
Total Historical Cost	<u>3,845,694</u>	<u>13,601</u>	<u>-0-</u>	<u>3,859,295</u>
Less Accumulated Depreciation:				
Buildings	500			500
Machinery and equipment	135,600	38,818		174,418
Infrastructure	98,578	92,853		191,431
Total Accumulated Depreciation	<u>234,678</u>	<u>131,671</u>	<u>-0-</u>	<u>366,349</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,611,016</u>	<u>\$ (118,070)</u>	<u>\$ -0-</u>	<u>\$ 3,492,946</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 3,989
Public safety	34,829
Culture and recreation services	1,431
Home and community services	<u>91,422</u>
Total Governmental Activities Depreciation Expense	<u>\$ 131,671</u>

Note 5 - Liabilities

A. Pension Plans

1. Plan Description

The Village of Earlville participates in the New York State and Local Employees' Retirement System (ERS). This is a cost sharing multiple-employer retirement system.

VILLAGE OF EARLVILLE  
 NOTES TO FINANCIAL STATEMENTS  
 (CONTINUED)  
FOR THE YEAR ENDED MAY 31, 2014

The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System.

The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of their funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

2. Funding Policy

Plan members who joined the Systems before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 and before January 1, 2010 with less than ten years of membership are required to contribute 3% of their annual salary. Those joining the Systems on or after January 1, 2010 and before April 1, 2012 are required to contribute 3% (NYSERS) and 3.5% (NYSTRS) of their annual salary for their entire working career. Those joining the Systems on or after April 1, 2012 are required to contribute between 3% and 6%, dependent on salary, for their entire working career. Under the authority of the New York State Retirement and Social Security Law, the Comptroller shall certify annually the rates expressed as proportions of payroll of members which shall be used in computing the contributions required to be made by the employer to the Pension Accumulation Fund.

The Village of Earlville is required to contribute at an actuarially determined rate. The Village of Earlville's contributions made to the System were equal to 100% of the contributions required for the year. The required contribution for the current and two preceding years were:

	ERS
2014	\$ 19,144
2013	7,035
2012	17,578

Note 6 - Short-term Debt

A. Revenue and Bond Anticipation Notes

Liabilities for Revenue Anticipation Notes (RANs) are generally accounted for in the General Fund and are issued to provide working capital. Liabilities for Bond Anticipation Notes (BANs) are generally accounted for in the Capital Projects Fund and are issued to fund capital improvements. Principal payments on BANs must be made annually.

The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12 month period thereafter. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. The Village issues BANs to finance capital improvements. No RANs or BANs were issued or redeemed during the current year and none were outstanding at year-end.

VILLAGE OF EARLVILLE  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED MAY 31, 2014

Note 7 - Long-term Liabilities

A. Debt Limit

At May 31, 2014, the total outstanding indebtedness of the Village of Earlville aggregated \$3,071,000. Of this amount, \$209,000, was subject to the constitutional debt limit and represented approximately 11.02% of the limit.

B. Serial Bonds

The Village of Earlville 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 receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are recorded in the Statement of Net Position. The provision to be made in future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

C. Summary Long-term Debt

The following is a summary of long-term debt outstanding at May 31, 2014:

<u>Description of Issue</u>	<u>Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Original Final Maturity</u>	<u>May 31, 2014 Outstanding</u>
<b>Bonds:</b>					
Pumper Truck	01/22/10	\$ 263,750	4.00%	01/22/25	\$ 209,000
Water System Rural Development	11/16/11	2,963,000	2.25%	11/16/49	<u>2,862,000</u>
Total					<u>\$ 3,071,000</u>

D. Changes

The following is a summary of changes in long-term liabilities for the year ended May 31, 2014:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Serial Bonds	<u>\$ 3,137,000</u>	<u>\$ -0-</u>	<u>\$ (66,000)</u>	<u>\$ 3,071,000</u>	<u>\$ 67,000</u>

E. Interest Expenditure

For the year ended May 31, 2014, the Village of Earlville recognized interest expense of \$73,929. The Governmental Fund financial statements report interest expenditures of \$74,192; the \$263 difference represents the change in accrued interest, which is only reported on the Government-wide financial statements.

VILLAGE OF EARLVILLE  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED MAY 31, 2014

F. Summary of Debt Maturity

The following is a summary the Village's debt service requirements:

Year	Serial Bonds		
	Principal	Interest	Total
2015	\$ 67,000	\$ 72,170	\$ 139,170
2016	70,000	70,377	140,377
2017	72,000	68,511	140,511
2018	74,000	66,582	140,582
2019	75,000	64,591	139,591
2020-2024	408,000	291,395	699,395
2025-2029	364,000	238,801	602,801
2030-2034	382,000	197,258	579,258
2035-2039	430,000	151,650	581,650
2040-2044	480,000	100,463	580,463
2045-2049	535,000	43,459	578,459
2050	114,000	1,283	115,283
Total	<u>\$ 3,071,000</u>	<u>\$ 1,366,540</u>	<u>\$ 4,437,540</u>

Note 8 - Commitments and Contingencies

A. Risk Financing and Related Insurance

1. General Information

The Village of Earlville is exposed to various risks of loss related to, but not limited to, torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Note 9 - Fund Balance Detail

At May 31, 2014, restricted and assigned fund balance in the governmental funds were as follows:

	General Fund	Capital Fund	Water Fund
Restricted:			
Capital reserves	\$ 59,046	\$	\$ 68,969
Unspent debt proceeds		9,660	
Total Restricted Fund Balance	<u>\$ 59,046</u>	<u>\$ 9,660</u>	<u>\$ 68,969</u>
Assigned:			
Appropriated for next year's budget	\$ 65,140	\$	\$
Remaining fund balance			24,686
Total Assigned Fund Balance	<u>\$ 65,140</u>	<u>\$ -0-</u>	<u>\$ 24,686</u>

VILLAGE OF EARLVILLE  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED MAY 31, 2013

Note 10 - Impact of Future Standards of the Governmental Accounting Standards Board (GASB)

The Village is in the process of assessing the future effects of GASB Statement Number 68, "Accounting and Financial Reporting for Pensions" to be implemented in fiscal year 2014-2015.

GASB Statement Number 68 establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through certain pension plans. As a participant in a cost-sharing employer plan, the Village is required to recognize a liability for its proportionate share of the net pension liability (of all employers for benefits provided through the pension plan) - the collective net pension liability. An employer's proportion is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

In governmental fund financial statements, the cost-sharing employer's proportionate share of the collective net pension liability is required to be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources. Generally, pension expenditures should be recognized equal to the total of (1) amounts paid by the employer to the pension plan and (2) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources.

VILLAGE OF EARLVILLE  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND - NON-GAAP BASIS  
 FOR THE YEAR ENDED MAY 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b><u>REVENUES</u></b>				
Local Sources:				
Real property taxes	\$ 188,314	\$ 188,314	\$ 188,314	\$ -0-
Real property tax items	<u>3,000</u>	<u>3,000</u>	<u>2,817</u>	<u>(183)</u>
Nonproperty tax items	<u>73,500</u>	<u>85,835</u>	<u>84,939</u>	<u>(896)</u>
Departmental income	<u>1,295</u>	<u>1,820</u>	<u>1,708</u>	<u>(112)</u>
Intergovernmental charges	<u>57,400</u>	<u>57,884</u>	<u>57,884</u>	<u>-0-</u>
Use of money and property	<u>50</u>	<u>50</u>	<u>51</u>	<u>1</u>
Licenses and permits	<u>600</u>	<u>600</u>	<u>460</u>	<u>(140)</u>
Fines and forfeitures	<u>4,000</u>	<u>4,504</u>	<u>4,504</u>	<u>-0-</u>
Sale of property and compensation for loss	<u></u>	<u>782</u>	<u>782</u>	<u>-0-</u>
Miscellaneous local sources	<u>1,800</u>	<u>14,512</u>	<u>13,215</u>	<u>(1,297)</u>
State sources	<u>12,526</u>	<u>29,039</u>	<u>27,689</u>	<u>(1,350)</u>
Total Revenues	<u>342,485</u>	<u>386,340</u>	<u>382,363</u>	<u>(3,977)</u>
<b><u>EXPENDITURES</u></b>				
Current:				
General governmental support	<u>151,923</u>	<u>167,335</u>	<u>133,319</u>	<u>34,016</u>
Public safety	<u>68,235</u>	<u>71,276</u>	<u>57,504</u>	<u>13,772</u>
Public health	<u>300</u>	<u>300</u>	<u>107</u>	<u>193</u>
Transportation	<u>30,006</u>	<u>49,997</u>	<u>48,694</u>	<u>1,303</u>
Culture and recreation	<u>28,714</u>	<u>31,763</u>	<u>24,855</u>	<u>6,908</u>
Home and community services	<u>26,369</u>	<u>26,091</u>	<u>19,184</u>	<u>6,907</u>
Employee benefits	<u>33,643</u>	<u>36,283</u>	<u>27,981</u>	<u>8,302</u>
Debt service (principal and interest)	<u>64,535</u>	<u>64,535</u>	<u>64,535</u>	<u>-0-</u>
Total Expenditures	<u>403,725</u>	<u>447,580</u>	<u>376,179</u>	<u>71,401</u>
Excess of (Expenditures) Revenue	<u>(61,240)</u>	<u>(61,240)</u>	<u>6,184</u>	<u>67,424</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Interfund transfers (out)	<u>(3,900)</u>	<u>(3,900)</u>	<u></u>	<u>3,900</u>
Total Other Financing Sources	<u>(3,900)</u>	<u>(3,900)</u>	<u>-0-</u>	<u>3,900</u>
Excess of (Expenditures) and Other (Uses) over Revenues and Other Financing Sources	<u>(65,140)</u>	<u>(65,140)</u>	<u>6,184</u>	<u>\$ 71,324</u>
Transfer to reserves	<u>\$ 65,140</u>	<u>\$ 65,140</u>		
Net Increase			<u>6,184</u>	
Fund Balance, Beginning of Year			<u>272,475</u>	
Fund Balance, End of Year			<u>\$ 278,659</u>	

See Independent Auditor's Report and Notes to Required Supplementary Information

VILLAGE OF EARLVILLE  
 BUDGETARY COMPARISON SCHEDULE  
 WATER FUND - NON-GAAP BASIS  
FOR THE YEAR ENDED MAY 31, 2014

	Original Budget	Final Budget	Actual	Variance
<b><u>REVENUES</u></b>				
Local Sources:				
Departmental income	\$ 167,696	\$ 167,696	\$ 148,847	\$ (18,849)
Use of money and property			20	20
Total Revenues	167,696	167,696	148,867	(18,829)
<b><u>EXPENDITURES</u></b>				
Current:				
Home and community services	80,414	80,414	40,012	40,402
Employee benefits	11,888	11,888	12,030	(142)
Debt service (principal and interest)	75,394	75,394	75,394	-0-
Total Expenditures	167,696	167,696	127,436	40,260
Excess of Revenues	-0-	-0-	21,431	21,431
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Interfund transfers in				-0-
Total Other Financing (Uses)	-0-	-0-	-0-	-0-
Excess of Revenues and Other Financing Sources over (Expenditures) and Other (Uses)	\$ -0-	\$ -0-	21,431	\$ 21,431
Fund Balance, Beginning of Year			72,224	
Fund Balance, End of Year			\$ 93,655	

See Independent Auditor's Report and Notes to Required Supplementary Information

VILLAGE OF EARLVILLE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED MAY 31, 2013

Note 1 - Budget Basis of Accounting

Except as indicated below, budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. Encumbrances are not considered a disbursement in the financial plan or an expenditure in GAAP based financial statements. Encumbrances reserve a portion of the applicable appropriation for purchase orders, contracts, and other commitments not expended at year end, thereby ensuring that appropriations are not exceeded.

Note 2 - Budget Policies - The budget policies are as follows:

1. Annual operating budgets are maintained for the following Governmental Fund Types:
  - General Fund
  - Special Revenue Fund (Water Fund)
2. No later than March 31, the budget officer submits the tentative Village budget to the Board of Trustees for the fiscal year commencing the following June 1. Upon filing the tentative Village budget, a notice is published in the official newspaper of the Village.
3. After the public hearing on the recommended budgets, the Mayor and Board of Trustees adopt the final Village budget no later than April 30.
4. Annual budgets adopted represent the legal limit on expenditures for that period. At the end of each year unexpended, unencumbered appropriations lapse. Encumbered appropriations do not lapse and are carried forward.
5. Expenditures may not legally exceed appropriations at the fund level.
6. All modifications of the budget must be approved by the governing Board.
7. The Board of Trustees may increase the appropriations budget during the fiscal year where additional revenues or expenditures not involved in the original adopted budget are identified.

Note 3 - Reconciliation of the Budget Basis to GAAP

No adjustment is necessary to convert the excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget. Encumbrances, if present, are presented in a separate column and are not included in the actual results at May 31, 2014.

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John H. Dietershagen, C.P.A.  
Jerry E. Mickelson, C.P.A.  
Thomas K. Van Derzee, C.P.A.  
Debbie Conley Jordan, C.P.A.  
Patrick S. Jordan, C.P.A.  
Duane R. Shoen, C.P.A.  
Lesley L. Horner, C.P.A.  
D. Leslie Spurgin, C.P.A.

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*Certified Public Accountants and Consultants*

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Frederick J. Ciaschi, C.P.A.

### 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

Mayor and Village Trustees  
Village of Earlville  
Earlville, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Village of Earlville (the Village), as of and for the year ended May 31, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated March 13, 2015.

#### **Internal Control Over Financial Reporting**

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

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

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

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village'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*.

### **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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cianchi, D'Intino, Little, Middleman, & Company, LLP*

March 13, 2015  
Ithaca, New York