

VILLAGE OF EARLVILLE

FINANCIAL REPORT

MAY 31, 2016



VILLAGE OF EARLVILLE

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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 the Village of Earlville (the Village), as of and for the year ended May 31, 2016, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village as of May 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During the year ended May 31, 2016, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions - Amendment of GASB Statement No. 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." Our opinion is not modified with respect to this matter.

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, the Schedules of Village Contributions and Village's Proportionate Share of Net Pension Liability, and related notes to required supplementary information on pages 3-3h and 33-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2017, 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.

Respectfully Submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
January 25, 2017

VILLAGE OF EARLVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2016

The following is a discussion and analysis of the Village of Earlville's (the Village) financial performance for the fiscal year ended May 31, 2016. 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

- During the year ended May 31, 2016, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions - Amendment of GASB Statement No. 27," and No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." As a result, beginning net position decreased \$10,631. Additionally, the Village recorded its proportionate share of net pension liability, as well as deferred outflows and deferred inflows related to pensions. The net effect of implementing these new accounting standards increased pension expense in the Government-wide financial statements by \$8,303. See Note 6 for more detailed information.
- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$707,801 (net position) down from \$750,562 in the prior year. To meet the government's ongoing obligations to citizens and creditors, \$236,453 (unrestricted resources) may be used.
- During the year, the Village had total expenses of \$579,201 that were \$42,761 more than the \$536,440 generated in tax and other revenues for governmental programs.
- The General Fund recorded a decrease of \$11 in 2016 and had a total fund balance at the end of the year of \$229,997. In the prior year, the General Fund recorded a decrease of \$48,651.
- The Village's debt obligations decreased by \$70,000 during the current fiscal year from \$3,004,000 in the prior year to \$2,934,000 in the current year.
- Resources available for appropriation in the General Fund were equal to budget and expenditures were \$65,129 favorable to budget. (Expenses were favorable compared to budget, primarily for general government support.)

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.

VILLAGE OF EARLVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2016

- 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, deferred inflows of resources, liabilities, and deferred outflows of resources.

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.

VILLAGE OF EARLVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2016

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

The Village's *combined* net position for the fiscal year ended May 31, 2016 decreased from \$750,562 to \$707,801. 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 \$365,233 at May 31, 2016. 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***

| | <i>Governmental Activities</i> | | <i>Dollar Change</i> |
|--|---------------------------------------|--------------------|-----------------------------|
| | <i>2015 (Restated)</i> | <i>2016</i> | <i>2015 - 2016</i> |
| <i>Current and other assets</i> | \$ 270,799 | \$ 265,642 | \$ (5,157) |
| <i>Noncurrent assets</i> | 99,656 | 106,115 | 6,459 |
| <i>Capital assets, net</i> | 3,419,093 | 3,299,233 | (119,860) |
| <i>Total Assets</i> | 3,789,548 | 3,670,990 | (118,558) |
| <i>Pensions</i> | - | 45,502 | 45,502 |
| <i>Total Deferred of Outflows</i> | - | 45,502 | 45,502 |
| <i>Current liabilities</i> | 94,355 | 82,255 | (12,100) |
| <i>Noncurrent liabilities</i> | 2,934,000 | 2,914,325 | (72,000) |
| <i>Total Liabilities</i> | 3,028,355 | 2,996,580 | (129,602) |
| <i>Pensions</i> | - | 12,111 | 12,111 |
| <i>Total Deferred of Inflows</i> | - | 12,111 | 12,111 |
| <i>Net investment in capital assets</i> | 415,093 | 365,233 | (49,860) |
| <i>Restricted</i> | 99,656 | 106,115 | 6,459 |
| <i>Unrestricted</i> | 235,813 | 236,453 | 640 |
| <i>Total Net Position</i> | \$ 750,562 | \$ 707,801 | \$ (42,761) |

The decrease in current assets is primarily due to a decrease in cash and accounts receivable. Noncurrent assets and restricted net position increased due to an increase of capital reserves. The decrease in capital assets is mainly due to depreciation expense of capital assets in excess and capital outlay. Current liabilities decreased due to a decrease in accounts payable. Noncurrent liabilities decreased due to payment of principal on long-term debt, offset by the increase of the pension liability. Deferred outflows and inflows increased due to the implementation of GASB Statement No. 68. (Net investment in capital assets decreased primarily due to depreciation expense exceeding debt principal paid.)

VILLAGE OF EARLVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2016

**Figure 2
Changes in Net Position**

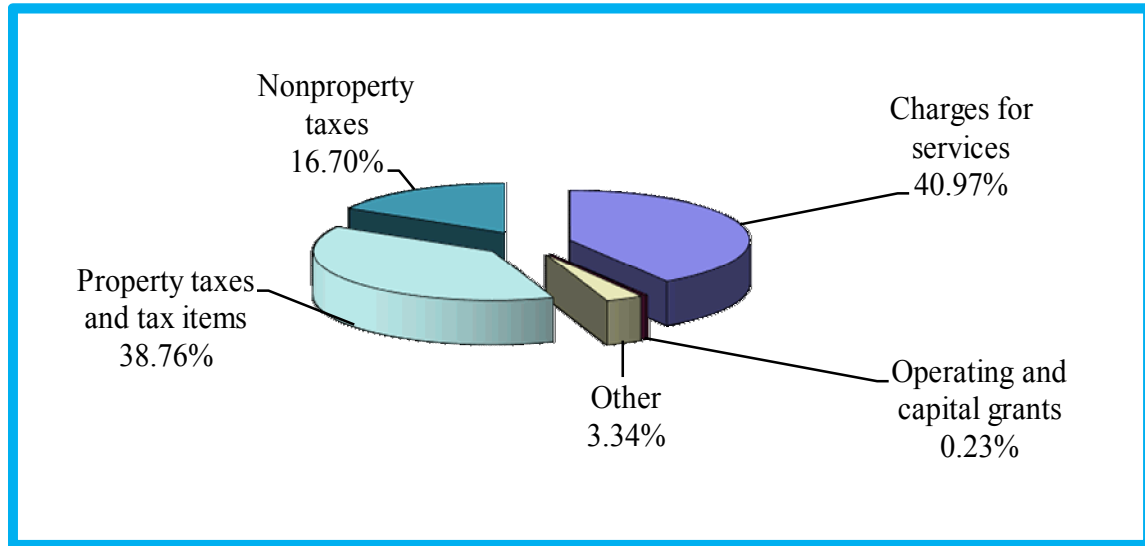
| | Governmental Activities | | Dollar Change |
|-----------------------------------|--------------------------------|--------------------|----------------------|
| | 2015 | 2016 | 2015 - 2016 |
| REVENUES | | | |
| <i>Program Revenues:</i> | | | |
| Charges for services | \$ 215,973 | \$ 219,761 | \$ 3,788 |
| Operating/Capital grants | 15,855 | 1,253 | (14,602) |
| <i>General Revenues:</i> | | | |
| Property taxes and tax items | 207,499 | 207,934 | 435 |
| Nonproperty taxes | 86,231 | 89,555 | 3,324 |
| State sources | 13,245 | 12,644 | (601) |
| Other | 32,859 | 5,293 | (27,566) |
| Total Revenues | \$ 571,662 | \$ 536,440 | \$ (35,222) |
| PROGRAM EXPENSES | | | |
| General government | \$ 158,328 | \$ 164,639 | \$ 6,311 |
| Public safety | 102,063 | 94,529 | (7,534) |
| Public health | 20 | 315 | 295 |
| Transportation | 64,804 | 28,768 | (36,036) |
| Culture and recreation | 32,713 | 35,727 | 3,014 |
| Home and community services | 178,876 | 185,105 | 6,229 |
| Interest on long-term debt | 71,380 | 70,118 | (1,262) |
| Total Expenses | \$ 608,184 | \$ 579,201 | \$ (28,983) |
| (DECREASE) IN NET POSITION | \$ (36,522) | \$ (42,761) | \$ (6,239) |

The decrease in grants of \$14,602 is because no CHIPs aid was received this year. The decrease in other revenues is related to recognizing reimbursement revenue from the fire department for purchase of a truck in the prior year. The decrease in transportation came from a decrease in road maintenance and snow removal. Home and community services increased due to water repairs.

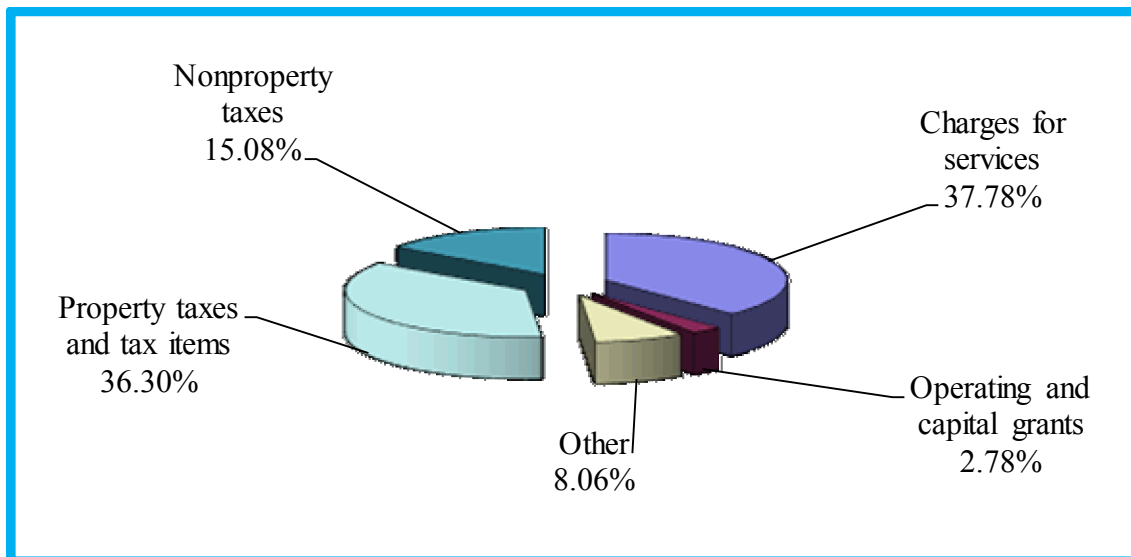
VILLAGE OF EARLVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2016

***Figure 3
Revenue by Source
2016***



***Figure 4
Revenue by Source
2015***



VILLAGE OF EARLVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2016

Figure 5
Net Program Cost Governmental Activities
2016

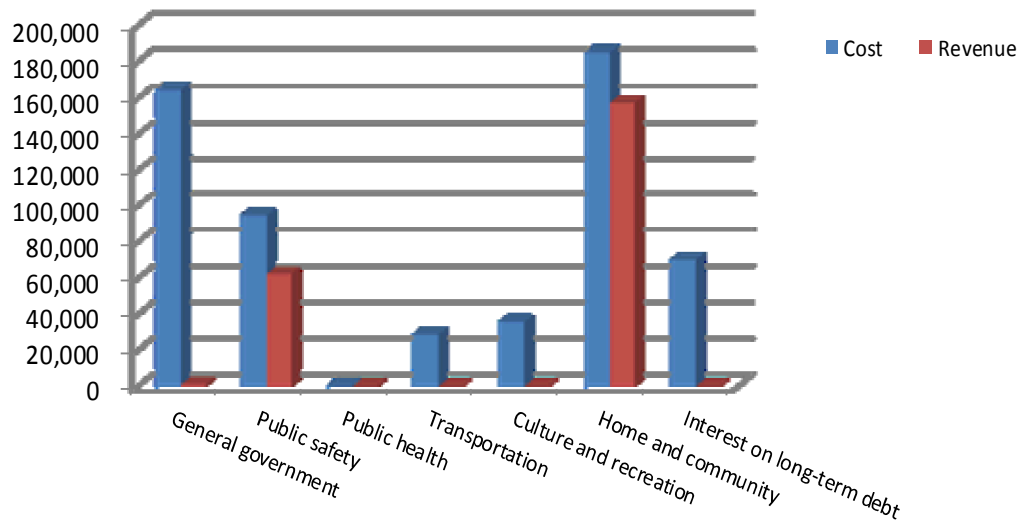
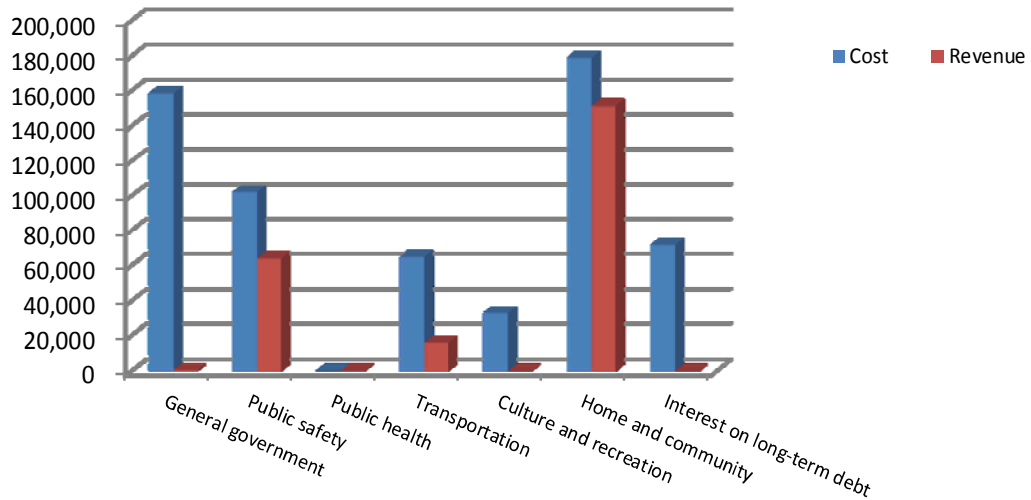


Figure 6
Net Program Cost Governmental Activities
2015



VILLAGE OF EARLVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2016

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 \$366,657, an increase of \$15,142 from last year's fund balance of \$351,515. 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,***

| | <i>Governmental Activities</i> | | <i>Dollar Change</i> |
|----------------------|---------------------------------------|--------------------|-----------------------------|
| | <i>2015</i> | <i>2016</i> | <i>2015 - 2016</i> |
| <i>General Fund</i> | \$ 230,008 | \$ 229,997 | \$ (11) |
| <i>Water Fund</i> | 121,507 | 136,660 | 15,153 |
| <i>Totals</i> | \$ 351,515 | \$ 366,657 | \$ 15,142 |

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 (1) budget transfers between functions, which do not increase the overall budget and (2) budget revisions, which increased estimated appropriations for the General Fund. Additionally, the Board approved using \$13,427 in sales tax revenue, which increased the overall budget.

Resources available for appropriation were equal to the final budget; primarily due to the budget amendments described above.

Actual charges to appropriations (expenditures) were \$65,129 below the final budget amounts, primarily because general support expenditures were less than the budgeted amount.

VILLAGE OF EARLVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2016

Figure 8 summarizes the General Fund original budget and final budget, actual expenditures (including encumbrances), and variances for the year ended May 31, 2016.

**Figure 8
Budgetary Comparison Schedule**

| Condensed Budgetary Comparison General Fund | Original Budget | Revised Budget | Actual w/ Encumbrances | Total Dollar Variance |
|--|----------------------------|---------------------------|-----------------------------------|----------------------------------|
| REVENUES | | | | |
| <i>Real property taxes and tax items</i> | \$ 204,496 | \$ 207,934 | \$ 207,934 | \$ - |
| <i>Nonproperty taxes</i> | 73,500 | 89,555 | 89,555 | - |
| <i>State sources</i> | 13,221 | 13,897 | 13,897 | - |
| <i>All other</i> | 65,627 | 67,514 | 67,514 | - |
| Total Revenues | \$ 356,844 | \$ 378,900 | \$ 378,900 | \$ - |
| EXPENDITURES | | | | |
| <i>General support</i> | \$ 161,069 | \$ 162,419 | \$ 125,605 | \$ 36,814 |
| <i>Public safety</i> | 69,467 | 82,888 | 74,103 | 8,785 |
| <i>Public Health</i> | 300 | 350 | 315 | 35 |
| <i>Transportation</i> | 29,961 | 29,031 | 25,652 | 3,379 |
| <i>Culture and recreation</i> | 28,207 | 33,112 | 30,365 | 2,747 |
| <i>Home and community services</i> | 25,168 | 27,974 | 23,513 | 4,461 |
| <i>Employee benefits</i> | 44,252 | 44,706 | 36,373 | 8,333 |
| <i>Debt service</i> | 63,560 | 63,560 | 62,985 | 575 |
| Total Expenditures | \$ 421,984 | \$ 444,040 | \$ 378,911 | \$ 65,129 |

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of May 31, 2016, the Village had \$3,299,233, net of accumulated depreciation, invested in a broad range of capital assets, including land, buildings, machinery and equipment, and infrastructure. This amount represents a net decrease (including additions and deductions) of \$(119,860) from last year, as a result of depreciation expense exceeding new capital additions.

**Figure 9
Capital Assets**

| | Governmental Activities | | Dollar Change |
|----------------------------|--------------------------------|---------------------|----------------------|
| | 2015 | 2016 | 2015 - 2016 |
| <i>Land</i> | \$ 1,300 | \$ 1,300 | \$ - |
| <i>Equipment, net</i> | 213,728 | 186,721 | (27,007) |
| <i>Infrastructure, net</i> | 3,204,065 | 3,111,212 | (92,853) |
| Total | \$ 3,419,093 | \$ 3,299,233 | \$ (119,860) |

VILLAGE OF EARLVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2016

Debt Administration

Debt (serial bonds), considered a liability of Governmental Activities, decreased by \$70,000 and brought total debt to \$2,934,000 as of May 31, 2016, as shown in Figure 10. Total long term debt subject to the constitutional debt limit is \$178,000 and represented approximately 9.35% of the constitutional debt limit.

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

| | <i>Governmental Activities</i> | | <i>Dollar Change</i> |
|---------------------|---------------------------------------|---------------------|-----------------------------|
| | <i>2015</i> | <i>2016</i> | <i>2014 - 2015</i> |
| <i>Serial bonds</i> | \$ 3,004,000 | \$ 2,934,000 | \$ (70,000) |
| <i>Total</i> | \$ 3,004,000 | \$ 2,934,000 | \$ (70,000) |

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 Village's financial position.

- ❖ No increase in budgeted property tax for 2016-2017.
- ❖ Increase in Water Fund debt service charge of 1% in 2016-2017 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, 2016

| | Governmental Activities |
|---|------------------------------------|
| ASSETS | |
| Current Assets | |
| Cash and cash equivalents - Unrestricted | \$ 260,716 |
| Other receivables, net | 4,926 |
| Total Current Assets | 265,642 |
| Noncurrent Assets | |
| Restricted cash and cash equivalents | 106,115 |
| Land and other non-depreciable capital assets | 1,300 |
| Capital assets, net of accumulated depreciation | 3,297,933 |
| Total Noncurrent Assets | 3,405,348 |
| Total Assets | 3,670,990 |
| Deferred Outflows of Resources | |
| Pensions | 45,502 |
| LIABILITIES | |
| Current Liabilities | |
| Accounts payable | 5,100 |
| Interest payable | 5,155 |
| Current portion of long-term liabilities: | |
| Bonds payable | 72,000 |
| Total Current Liabilities | 82,255 |
| Noncurrent Liabilities | |
| Net pension liability - proportionate share | 52,325 |
| Bonds payable | 2,862,000 |
| Total Noncurrent Liabilities | 2,914,325 |
| Total Liabilities | 2,996,580 |
| Deferred Inflows of Resources | |
| Pensions | 12,111 |
| NET POSITION | |
| Net investment in capital assets | 365,233 |
| Restricted | 106,115 |
| Unrestricted | 236,453 |
| Total Net Position | \$ 707,801 |

See Independent Auditor's Report and Notes to Financial Statements.

VILLAGE OF EARLVILLE

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MAY 31, 2016

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|-------------------------------------|-------------------|---------------------------------|---|---|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| FUNCTIONS/PROGRAMS | | | | | |
| General governmental support | \$ 164,639 | \$ 1,029 | \$ | \$ | \$ (163,610) |
| Public safety | 94,529 | 61,096 | 1,253 | | (32,180) |
| Public health | 315 | 110 | | | (205) |
| Transportation | 28,768 | | | | (28,768) |
| Culture and recreation | 35,727 | | | | (35,727) |
| Home and community services | 185,105 | 157,526 | | | (27,579) |
| Interest on long-term debt | 70,118 | | | | (70,118) |
| Total Functions and Programs | \$ 579,201 | \$ 219,761 | \$ 1,253 | \$ - | (358,187) |
| GENERAL REVENUES | | | | | |
| | | | | | 201,496 |
| Real property taxes | | | | | 6,438 |
| Real property tax items | | | | | 89,555 |
| Nonproperty tax items | | | | | 40 |
| Use of money and property | | | | | 5,253 |
| Miscellaneous local sources | | | | | 12,644 |
| State sources | | | | | |
| Total General Revenues | | | | | 315,426 |
| Change in Net Position | | | | | (42,761) |
| Net Position - Beginning - Restated | | | | | 750,562 |
| Net Position - Ending | | | | | \$ 707,801 |

See Independent Auditor's Report and Notes to Financial Statements.

VILLAGE OF EARLVILLE

BALANCE SHEET - GOVERNMENTAL FUNDS

MAY 31, 2016

| | Major Funds | | |
|--|---------------------|-----------------------------------|---------------------------------|
| | General Fund | Special Revenue Water Fund | Total Governmental Funds |
| ASSETS | | | |
| Assets: | | | |
| Cash and cash equivalents - Unrestricted | \$ 143,460 | \$ 117,256 | \$ 260,716 |
| Cash and cash equivalents - Restricted | 25,673 | 80,442 | 106,115 |
| Due from other funds | 66,507 | 2,919 | 69,426 |
| Other receivables, net | 642 | 4,284 | 4,926 |
| Total Assets | \$ 236,282 | \$ 204,901 | \$ 441,183 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 3,366 | \$ 1,734 | \$ 5,100 |
| Due to other funds | 2,919 | 66,507 | 69,426 |
| Total Liabilities | 6,285 | 68,241 | 74,526 |
| Fund Balances: | | | |
| Restricted | 25,673 | 80,442 | 106,115 |
| Assigned | 65,140 | 56,218 | 121,358 |
| Unassigned | 139,184 | | 139,184 |
| Total Fund Balances | 229,997 | 136,660 | 366,657 |
| Total Liabilities and Fund Balances | \$ 236,282 | \$ 204,901 | \$ 441,183 |

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, 2016

| | | |
|----------------------------------|----|---------|
| Total Governmental Fund Balances | \$ | 366,657 |
|----------------------------------|----|---------|

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 | \$ | 3,945,588 | |
| Accumulated depreciation | | <u>(646,355)</u> | 3,299,233 |

The Village's proportionate share of the collective net pension liability is not reported in the funds.

| | |
|---|----------|
| ERS net pension liability - proportionate share | (52,325) |
|---|----------|

Deferred outflows of resources, including deferred charges on defeased debt and pensions, represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds. Deferred inflows of resources, including unavailable revenue and pensions, represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.

| | | | |
|--|----|---------------|--------|
| ERS deferred inflows of resources - pension | \$ | (12,111) | |
| ERS deferred outflows of resources - pension | | <u>45,502</u> | 33,391 |

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 | (5,155) |
|--------------------------|---------|

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>(2,934,000)</u> |
|---------------|--------------------|

| | | |
|---|----|-----------------------|
| Net Position of Governmental Activities | \$ | <u><u>707,801</u></u> |
|---|----|-----------------------|

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, 2016

| | Major Funds | | |
|---|-------------------------|---|---|
| | General Fund | Special Revenue Water Fund | Total Governmental Funds |
| REVENUES | | | |
| Real property taxes | \$ 201,496 | \$ | \$ 201,496 |
| Real property tax items | 6,438 | | 6,438 |
| Nonproperty tax items | 89,555 | | 89,555 |
| Departmental income | 244 | 157,526 | 157,770 |
| Intergovernmental charges | 56,346 | | 56,346 |
| Use of money and property | 26 | 14 | 40 |
| Licenses and permits | 895 | | 895 |
| Fines and forfeitures | 4,750 | | 4,750 |
| Miscellaneous local sources | 5,253 | | 5,253 |
| State sources | 13,897 | | 13,897 |
| Total Revenues | 378,900 | 157,540 | 536,440 |
| EXPENDITURES | | | |
| Current: | | | |
| General governmental support | 125,605 | | 125,605 |
| Public safety | 74,103 | | 74,103 |
| Public health | 315 | | 315 |
| Transportation | 25,652 | | 25,652 |
| Culture and recreation | 30,365 | | 30,365 |
| Home and community services | 23,513 | 47,444 | 70,957 |
| Employee benefits | 36,373 | 17,550 | 53,923 |
| Debt Service: | | | |
| Principal | 46,000 | 24,000 | 70,000 |
| Interest | 16,985 | 53,393 | 70,378 |
| Total Expenditures | 378,911 | 142,387 | 521,298 |
| Excess of (Expenditures) Revenues | (11) | 15,153 | 15,142 |
| Excess of (Expenditures) and Other (Uses) | | | |
| Over Revenues and Other Financing Sources | (11) | 15,153 | 15,142 |
| Fund Balances, Beginning of Year | 230,008 | 121,507 | 351,515 |
| Fund Balances, End of Year | \$ 229,997 | \$ 136,660 | \$ 366,657 |

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, 2016

| | | |
|--|----|--------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | 15,142 |
|--|----|--------|

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 | \$ | 21,881 | |
| Depreciation expense | | <u>(141,741)</u> | (119,860) |

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 | | 70,000 |
|--------------------|--|--------|

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 | | 260 |
|--|--|-----|

(Increases) decreases in proportionate share of net pension liability reported in the Statement of Activities, deferred outflows and inflows of resources do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds. This is the decrease in the proportionate share of net pension liability.

| | | |
|-----|--|----------------|
| ERS | | <u>(8,303)</u> |
|-----|--|----------------|

| | | |
|--|-----------|-------------------------------|
| Change in Net Position of Governmental Activities | \$ | <u><u>(42,761)</u></u> |
|--|-----------|-------------------------------|

See Independent Auditor's Report and Notes to Financial Statements.

VILLAGE OF EARLVILLE

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS MAY 31, 2016

| | Agency Funds |
|--|-------------------------|
| ASSETS | |
| Cash and cash equivalents - Unrestricted | \$ 6,230 |
| Accounts receivable | 5,100 |
| Total Assets | \$ 11,330 |
| LIABILITIES | |
| Accounts payable | \$ 643 |
| Due to other governments | 10,687 |
| Total Liabilities | \$ 11,330 |

See Independent Auditor's Report and Notes to Financial Statements.

VILLAGE OF EARLVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2016

***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 Village's more significant accounting policies are described below.

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."

- The primary government, which is the Village of Earlville,
- Organizations for which the primary government is financially accountable, and;
- 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 Nos. 39 and 61, including legal standing, fiscal dependency, and financial accountability.

VILLAGE OF EARLVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2016

***Note 1* Summary of Significant Accounting Policies - Continued**

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, home and community services and culture and recreation, are classified as Governmental Activities.

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.

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.

VILLAGE OF EARLVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2016

***Note 1* Summary of Significant Accounting Policies - Continued**

Basis of Presentation - Continued

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:

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:

Major Funds

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

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, custodian, or agent.

VILLAGE OF EARLVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2016

***Note 1* Summary of Significant Accounting Policies - Continued**

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.

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.

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.

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.

VILLAGE OF EARLVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2016

***Note 1* Summary of Significant Accounting Policies – Continued**

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.

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

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.

Investments

Investments are stated at fair value.

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.

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 Statement 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 Statement No. 34, paragraph 148. The Village has elected not to retroactively report infrastructure assets.

VILLAGE OF EARLVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2016

***Note 1* Summary of Significant Accounting Policies - Continued**

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.

Equity Classifications - 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."

Equity Classifications - Governmental Fund Financial Statements

The Village of Earlville is in compliance with GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." Statement No. 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.

VILLAGE OF EARLVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2016

***Note 1* Summary of Significant Accounting Policies - Continued**

Equity Classifications - Governmental Fund Financial Statements - Continued

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, and requires the same level of formal action to remove said constraint.
- **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.

VILLAGE OF EARLVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2016

***Note 1* Summary of Significant Accounting Policies - Continued**

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.

Revenues

Substantially all Governmental Fund revenues are accrued.

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.

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The Village reports deferred outflows related to pensions in the Statement of Net Position. The types of deferred outflows related to pensions are described in Note 6.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Village reports deferred inflows related to pensions which are further described in Note 6.

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 FOR THE YEAR ENDED MAY 31, 2016

***Note 1* Summary of Significant Accounting Policies - Continued**

New Accounting Standards

The Village has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are effective for the year ended May 31, 2016:

GASB has issued Statement No. 68, "Accounting & Financial Reporting for Pensions – Amendment of GASB Statement No. 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date," effective for the year ended May 31, 2016.

Future Changes in Accounting Standards

- GASB has issued Statement No. 72, "Fair Value Measurement and Application," effective for the year ending May 31, 2017.
- GASB has issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68," effective for the year ending May 31, 2018.
- GASB has issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," effective for the year ending May 31, 2019. This Statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions," as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB." Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans," establishes new accounting and financial reporting requirements for OPEB plans.
- GASB has issued Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," effective for the year ending May 31, 2017.
- GASB has issued Statement No. 77, "Tax Abatement Disclosures," effective for the year ending May 31, 2017.

VILLAGE OF EARLVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2016

***Note 1* Summary of Significant Accounting Policies - Continued**

Future Changes in Accounting Standards - Continued

- GASB has issued Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans," effective for the year ending May 31, 2017.
- GASB has issued Statement No. 80, "Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14," effective for the year ending May 31, 2018.
- GASB has issued Statement No. 81, "Irrevocable Split-Interest Agreements," effective for the year ending May 31, 2018.
- GASB has issued Statement No. 82, "Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73," effective for the year ending May 31, 2018.

The Village will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

***Note 2* 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.

VILLAGE OF EARLVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2016

Note 2 Cash and Investments - Continued

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 No. 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 \$405,469 are either insured or collateralized with securities held by the pledging financial institution in the Village's name.

Restricted Cash

Total restricted cash of \$106,115 is comprised of \$25,673 capital reserves in the General Fund, and \$80,442 for water improvements and reservoir in the Water Fund.

Note 3 Other Receivables

| | |
|-------------------------------------|------------------------|
| General Fund - Other | \$ 642 |
| Water Fund - Water rents receivable | <u>4,284</u> |
| Total | <u>\$ 4,926</u> |

Note 4 Interfund Balances and Activity

Interfund balances at May 31, 2016 were as follows:

| | <u>Interfund Receivables</u> | <u>Interfund Payables</u> | <u>Interfund Revenue</u> | <u>Interfund Expenditures</u> |
|--------------|---|--------------------------------------|-------------------------------------|--|
| General Fund | \$ 66,507 | \$ 2,919 | \$ | \$ |
| Water Fund | <u>2,919</u> | <u>66,507</u> | <u> </u> | <u> </u> |
| Total | <u>\$ 69,426</u> | <u>\$ 69,426</u> | <u>-</u> | <u>\$ -</u> |

Interfund balances 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.

VILLAGE OF EARLVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2016

Note 5 Capital Assets

A summary of changes in capital assets at May 31, 2016 follows:

| Governmental Activities | Balance at May 31, 2015 | Additions | Deletions | Balance at May 31, 2016 |
|--|--|-------------------------|------------------|--|
| Non-Depreciable Capital Assets | | | | |
| Land | \$ 1,300 | \$ - | \$ - | \$ 1,300 |
| Total Non-Depreciable Capital Assets | <u>1,300</u> | <u>-</u> | <u>-</u> | <u>1,300</u> |
| Depreciable Capital Assets | | | | |
| Buildings | 500 | | | 500 |
| Equipment | 433,558 | 21,881 | | 455,439 |
| Infrastructure | 3,488,349 | | | 3,488,349 |
| Total Depreciable Capital Assets | <u>3,922,407</u> | <u>21,881</u> | <u>-</u> | <u>3,944,288</u> |
| Total Historical Cost | <u>3,923,707</u> | <u>21,881</u> | <u>-</u> | <u>3,945,588</u> |
| Less Accumulated Depreciation | | | | |
| Buildings | 500 | | | 500 |
| Machinery and equipment | 219,830 | 48,888 | | 268,718 |
| Infrastructure | 284,284 | 92,853 | | 377,137 |
| Total Accumulated Depreciation | <u>504,614</u> | <u>141,741</u> | <u>-</u> | <u>646,355</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 3,419,093</u> | <u>\$ (119,860)</u> | <u>\$ -</u> | <u>\$ 3,299,233</u> |

Depreciation expense was charged to functions as follows:

Governmental Activities:

| | |
|---------------------------------|--------------------------|
| General government | \$ 7,425 |
| Public safety | 41,463 |
| Culture and recreation services | 1,431 |
| Home and community services | <u>91,422</u> |
| Total | \$ <u>141,741</u> |

VILLAGE OF EARLVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2016

***Note 6* Pension Obligations - New York State and Local Retirement System**

For the fiscal year ended May 31, 2016, the Village implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions - Amendment to GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." The implementation of the Statements requires the Village to report as an asset and/or liability its portion of the collective net pension liability in the New York State Employees' Retirement System. The implementation of the Statements also requires the Village to report a deferred outflow and/or inflow of resources for the effect of the net change in the Village's proportion of the collective net pension liability and difference during the measurement period between the Village's contributions and its proportionate share of total contributions to the pension system not included in pension expense. Also included as a deferred outflow is the Village's contributions to the pension system subsequent to the measurement date.

Plan Descriptions and Benefits Provided

The Village participates in the New York State and Local Employees' Retirement System (ERS), which is referred to as the New York State and Local Retirement System (the System). The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all assets and record changes in fiduciary net position allocated to the System. Participating employers are required under the RSSL to contribute to the System at an actuarially determined rate adopted annually by the Comptroller.

The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Generally, members of the System are employees of the State and its municipalities, other than New York City.

ERS is cost-sharing, multiple-employer defined benefit pension plan. The System is included in the State's financial report as a pension trust fund. The Public Employees' Group Life Insurance Plan (GLIP) provides death benefits in the form of life insurance. In these statements, GLIP amounts are apportioned to and included in ERS.

Separately issued financial statements for the System can be accessed on the Comptroller's website at <http://www.osc.state.ny.us/pension/cafr.htm> or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

VILLAGE OF EARLVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2016

***Note 6* Pension Obligations - New York State and Local Retirement System - Continued**

Plan Descriptions and Benefits Provided - Continued

Members who joined the System prior to January 1, 2010 need five years of service to be 100% vested. Members who joined on or after January 1, 2010 (ERS) require ten years of service credit to be 100% vested.

Generally, Tier 1 and 2 members are not required to contribute to the System Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1976, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

Summary of Significant Accounting Policies

The System's financial statements from which the System's fiduciary net position is determined are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and the employer has a legal requirement to provide the contributions.

Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the System's annual report.

Contributions

Participating employers are required under the RSSL to contribute to the System at an actuarially determined rate adopted annually by the Comptroller. The Village's contributions for the current year and two preceding Plan years were equal to 100% of the contributions required, and were as follows:

| | | ERS |
|------|----|------------|
| 2016 | \$ | 11,986 |
| 2015 | | 8,466 |
| 2014 | | 7,035 |

VILLAGE OF EARLVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2016

Note 6 Pension Obligations - New York State and Local Retirement System - Continued

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

At May 31, 2016, the Village reported the following liability for its proportionate share of the net pension liability for each of the System plans. The net pension liability was measured as of March 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Village's proportionate share of the net pension liability was based on a projection of the Village's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was derived from reports provided to the Village by the System.

| | <u>ERS</u> |
|--|-------------------|
| Actuarial valuation date | 04/01/2015 |
| Net pension liability | \$ 16,050,279,000 |
| Village's proportionate share of the Plan's total net pension liability | 52,325 |

For the year ended May 31, 2016, the Village recognized pension expense of \$16,930 for ERS in the financial statements. At May 31, 2016 the Village's reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

| | <u>ERS</u> |
|---|-------------------------|
| Deferred Outflows of Resources: | |
| Differences between expected and actual experience | \$ 264 |
| Changes of assumptions | 13,953 |
| Net differences between projected and actual earnings on pension plan investments | 31,042 |
| Changes in proportion and differences between the Village's contributions and proportionate share of contributions | <u>243</u> |
| Total | \$ <u>45,502</u> |
| Deferred Inflows of Resources: | |
| Differences between expected and actual experience | \$ 6,202 |
| Changes in proportion and differences between the Village's contributions and proportionate share of contributions | <u>5,909</u> |
| Total | \$ <u>12,111</u> |

VILLAGE OF EARLVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2016

Note 6 Pension Obligations - New York State and Local Retirement System - Continued

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

Village contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended May 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended</u> | | <u>ERS</u> |
|-------------------|----|------------|
| 2017 | \$ | 8,143 |
| 2018 | | 8,143 |
| 2019 | | 8,143 |
| 2020 | | 8,962 |
| Thereafter | | |

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

| | <u>ERS</u> |
|--------------------------|----------------------------------|
| Measurement date | March 31, 2016 |
| Actuarial valuation date | April 1, 2015 |
| Interest rate | 7.0% |
| Salary scale | 5.1% |
| | April 1, 2005- March 31, 2015 |
| Decrement tables | System's Experience |
| Inflation rate | 2.5% |

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 - March 31, 2015.

VILLAGE OF EARLVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2016

Note 6 Pension Obligations - New York State and Local Retirement System - Continued

Actuarial Assumptions - Continued

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

| | <u>NYSLRS</u> |
|--|----------------------|
| Measurement date | March 31, 2016 |
| Asset Type: | |
| Domestic equities | 7.30% |
| International equities | 8.55% |
| Real estate | 8.25% |
| Private equity/Alternative investments | 11.00% |
| Absolute return strategies | 6.75% |
| Opportunistic portfolio | 8.60% |
| Real assets | 8.65% |
| Cash | 2.25% |
| Inflation-indexed bonds | 4.00% |
| Mortgages and bonds | 4.00% |

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and contributions from employers will be made at statutorily required rates, actuarially. Based on the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

VILLAGE OF EARLVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2016

Note 6 Pension Obligations - New York State and Local Retirement System - Continued

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

The following presents the Village's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Village's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

| ERS | 1% Decrease (6.0%) | Current Assumption (7.0%) | 1% Increase (8.0%) |
|--|-----------------------------------|--|-----------------------------------|
| Village's proportionate share of the net pension liability | \$ 117,988 | \$ 52,325 | \$ (3,158) |

Pension Plan Fiduciary Net Position

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

| | Dollars in Thousands |
|---|---------------------------------|
| | ERS |
| Valuation date | March 31, 2016 |
| Employers' total pension liability | \$ 172,303,544 |
| Plan net position | (156,253,265) |
| Employers' Net Pension liability | \$ 16,050,279 |
| Ratio of Plan Net Position to the Employers' Total Pension Liability | 90.7% |

Payables to the Pension Plan

Employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of May 31, 2016 represent the projected employer contribution for the period of April 1, 2015 through May 31, 2016 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2016 amounted to \$-0- for ERS.

VILLAGE OF EARLVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2016

***Note 6* Pension Obligations - New York State and Local Retirement System - Continued**

Effect on Net Position

Changes in the net pension liability and deferred outflows and inflows of resources for the year ended May 31, 2016 resulted in the following effect on net position:

| <u>ERS</u> | <u>Beginning Balance</u> | <u>Change</u> | <u>Ending Balance</u> |
|--------------------------------|------------------------------|--------------------------|---------------------------|
| Net pension liability | \$ (10,631) | \$ (41,694) | \$ (52,325) |
| Deferred outflows of resources | | 45,502 | 45,502 |
| Deferred inflows of resources | | (12,111) | (12,111) |
| Total | <u>\$ (10,631)</u> | <u>\$ (8,303)</u> | <u>\$ (18,934)</u> |

Restatement of Net Position

For the fiscal year ended May 31, 2016, the Village implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - Amendment to GASB Statement No. 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." The implementation of these new accounting standards resulted in the reporting of deferred outflows of resources, a liability, and deferred inflows of resources related to the Village's participation in the New York State Employees' retirement system. The Village's net position has been restated as follows:

| | |
|---|--------------------------|
| Net Position Beginning of Year, as Previously Stated | \$ 761,193 |
| GASB Statement No. 68 implementation: | |
| Beginning system liability - ERS | <u>(10,631)</u> |
| Net Position Beginning of Year, as Restated | <u>\$ 750,562</u> |

***Note 7* Short-term Debt - 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.

VILLAGE OF EARLVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2016

Note 7 Short-term Debt - Revenue and Bond Anticipation Notes - Continued

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.

Note 8 Long-term Liabilities

Debt Limit

At May 31, 2016, the total outstanding indebtedness of the Village of Earlville aggregated \$2,934,000. Of this amount, \$178,000, was subject to the constitutional debt limit and represented approximately 9.35% of the limit.

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.

Summary Long-term Debt

The following is a summary of long-term debt outstanding at May 31, 2016:

| Description of Issue | Date Issued | Original Amount | Interest Rate | Final Maturity | May 31, 2016 Outstanding |
|-----------------------------------|------------------------|----------------------------|--------------------------|---------------------------|-------------------------------------|
| Bonds: | | | | | |
| Pumper truck | 01/22/10 | \$ 263,750 | 4.00% | 01/22/25 | \$ 178,000 |
| Water system rural development | 11/16/11 | 2,963,000 | 2.25% | 11/16/49 | <u>2,756,000</u> |
| Total | | | | | <u><u>\$ 2,934,000</u></u> |

VILLAGE OF EARLVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2016

Note 8 Long-term Liabilities - Continued

Changes

The following is a summary of changes in long-term liabilities for the year ended May 31, 2016:

| Governmental Activities | Beginning Balance | Issued | Redeemed | Ending Balance | Amount Due Within One Year |
|------------------------------------|------------------------------|---------------|--------------------|---------------------------|---|
| Serial Bonds | \$ <u>3,004,000</u> | \$ <u>-</u> | \$ <u>(70,000)</u> | \$ <u>2,934,000</u> | \$ <u>72,000</u> |

Interest Expenditure

For the year ended May 31, 2016, the governmental funds recognized interest expense of \$70,378. The Government-wide financial statements report interest expenditures of \$70,118; the \$260 difference represents the change in accrued interest, which is only reported on the Government-wide financial statements.

Summary of Debt Maturity

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

| Year | Serial Bonds | | |
|--------------|----------------------------|----------------------------|----------------------------|
| | Principal | Interest | Total |
| 2017 | \$ 72,000 | 68,511 | 140,511 |
| 2018 | 74,000 | 66,583 | 140,583 |
| 2019 | 75,000 | 64,591 | 139,591 |
| 2020 | 77,000 | 62,578 | 139,578 |
| 2021 | 80,000 | 60,490 | 140,490 |
| 2022-2026 | 406,000 | 268,990 | 674,990 |
| 2027-2031 | 357,000 | 222,176 | 579,176 |
| 2032-2036 | 400,000 | 179,663 | 579,663 |
| 2037-2041 | 450,000 | 131,850 | 581,850 |
| 2042-2046 | 501,000 | 78,401 | 579,401 |
| 2047-2050 | <u>442,000</u> | <u>20,160</u> | <u>462,160</u> |
| Total | \$ <u>2,934,000</u> | \$ <u>1,223,993</u> | \$ <u>4,157,993</u> |

VILLAGE OF EARLVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2016

***Note 9* Commitments and Contingencies**

Risk Financing and Related Insurance

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 10* Fund Balance Detail**

At May 31, 2016, restricted and assigned fund balance in the governmental funds were as follows:

| | General Fund | Water Fund |
|--|-------------------------|-----------------------|
| Restricted | | |
| Capital reserves | \$ 25,673 | \$ 80,442 |
| Total | \$ 25,673 | \$ 80,442 |
| Assigned | | |
| Appropriated for next year's budget | \$ 65,140 | \$ |
| Remaining fund balance | | 56,218 |
| Total | \$ 65,140 | \$ 56,218 |

VILLAGE OF EARLVILLE

BUDGETARY COMPARISON SCHEDULE GENERAL FUND - NON-GAAP BASIS FOR THE YEAR ENDED MAY 31, 2016

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---------------------------------------|----------------------------|-------------------------|------------------------------|------------------|
| REVENUES | | | | |
| Local Sources | | | | |
| Real property taxes | \$ 201,496 | \$ 201,496 | \$ 201,496 | \$ - |
| Real property tax items | 3,000 | 6,438 | 6,438 | - |
| Nonproperty tax items | 73,500 | 89,555 | 89,555 | - |
| Departmental income | 1,295 | 244 | 244 | - |
| Intergovernmental charges | 57,882 | 56,346 | 56,346 | - |
| Use of money and property | 50 | 26 | 26 | - |
| Licenses and permits | 600 | 895 | 895 | - |
| Fines and forfeitures | 4,000 | 4,750 | 4,750 | - |
| Miscellaneous local sources | 1,800 | 5,253 | 5,253 | - |
| State sources | 13,221 | 13,897 | 13,897 | - |
| Total Revenues | <u>356,844</u> | <u>378,900</u> | <u>378,900</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General governmental support | 161,069 | 162,419 | 125,605 | 36,814 |
| Public safety | 69,467 | 82,888 | 74,103 | 8,785 |
| Public health | 300 | 350 | 315 | 35 |
| Transportation | 29,961 | 29,031 | 25,652 | 3,379 |
| Culture and recreation | 28,207 | 33,112 | 30,365 | 2,747 |
| Home and community services | 25,168 | 27,974 | 23,513 | 4,461 |
| Employee benefits | 44,252 | 44,706 | 36,373 | 8,333 |
| Debt service (principal and interest) | 63,560 | 63,560 | 62,985 | 575 |
| Total Expenditures | <u>421,984</u> | <u>444,040</u> | <u>378,911</u> | <u>65,129</u> |
| Excess of (Expenditure) | <u>(65,140)</u> | <u>(65,140)</u> | <u>(11)</u> | <u>\$ 65,129</u> |
| Appropriated Fund Balance | <u>65,140</u> | <u>65,140</u> | | |
| Net (Decrease) | \$ <u>-</u> | \$ <u>-</u> | <u>(11)</u> | |
| Fund Balance, Beginning of Year | | | <u>230,008</u> | |
| Fund Balance, End of Year | | | \$ <u>229,997</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, 2016

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|----------------------------|-------------------------|-------------------|------------------|
| REVENUES | | | | |
| Local Sources: | | | | |
| Departmental income | \$ 167,696 | \$ 167,696 | \$ 157,526 | \$ (10,170) |
| Use of money and property | | | 14 | 14 |
| Total Revenues | <u>167,696</u> | <u>167,696</u> | <u>157,540</u> | <u>(10,156)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Home and community services | 77,312 | 70,267 | 47,444 | 22,823 |
| Employee benefits | 14,474 | 19,519 | 17,550 | 1,969 |
| Debt service (principal and interest) | 75,910 | 77,910 | 77,393 | 517 |
| Total Expenditures | <u>167,696</u> | <u>167,696</u> | <u>142,387</u> | <u>25,309</u> |
| Excess of Revenue | <u>-</u> | <u>-</u> | 15,153 | 15,153 |
| Excess of Revenues and Other Financing Sources over (Expenditures) and Other (Uses) | <u>\$ -</u> | <u>\$ -</u> | 15,153 | <u>\$ 15,153</u> |
| Fund Balance, Beginning of Year | | | <u>121,507</u> | |
| Fund Balance, End of Year | | | <u>\$ 136,660</u> | |

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

VILLAGE OF EARLVILLE

SCHEDULE OF VILLAGE CONTRIBUTIONS NYSLRS PENSION PLANS FOR THE LAST 2 FISCAL YEARS

| | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|
| Employees' Retirement System: | | |
| Contractually required contribution | \$ 11,986 | \$ 8,466 |
| Contributions in relation to the contractually required contribution | 11,986 | 8,466 |
| Contribution deficiency (excess) | - | - |
| Village's covered - employee payroll | 92,079 | 94,116 |
| Contributions as a percentage of covered - employee payroll | 12.9% | 9.1% |

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

VILLAGE OF EARLVILLE

SCHEDULE OF THE VILLAGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY NYSLRS PENSION PLANS FOR THE YEAR ENDED MAY 31,

| | 2016 |
|---|-------------|
| Employees' Retirement System: | |
| Village's proportion of the net pension liability | 0.0003260% |
| Village's proportionate share of the net pension liability | \$ 52,325 |
| Village's covered-employee payroll during the measurement period | 92,079 |
| Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 56.8% |
| Plan fiduciary net position as a percentage of the total pension liability | 90.7% |

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, 2016

***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:

- Annual operating budgets are maintained for the following Governmental Fund Types:
 - General Fund
 - Special Revenue Fund (Water Fund)
- 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.
- After the public hearing on the recommended budgets, the Mayor and Board of Trustees adopt the final Village budget no later than April 30.
- 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.
- Expenditures may not legally exceed appropriations at the fund level.
- All modifications of the budget must be approved by the governing Board.
- 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, 2016.

VILLAGE OF EARLVILLE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED MAY 31, 2016

***Note 4* Schedules of Village's Contributions – NYSLRS Pension Plans and Schedules of the Village's Proportionate Share of the Net Pension Liability**

Schedules of the Village's Proportionate Share of the Net Pension Liability

The Schedules of the Village's Proportionate Share of the Net Pension Liability, required supplementary information, present two years of information. These schedules will present ten years of information as it becomes available from the pension plans.

NYSLRS

Changes in Benefit Terms

There were no significant legislative changes in benefits.

Changes in Benefit Terms

There was a change in assumption for the pensioner mortality improvement in the April 1, 2014 actuarial valuation from the Society of Actuaries' Scale AA to Scale MP - 2014.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2014 actuarial valuation determines the employer rates for the contributions payable in fiscal year 2016. The following actuarial methods and assumptions were used:

| | |
|----------------------------|---|
| Actuarial cost method | The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort. |
| Asset valuation period | 5 year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return. |
| Inflation | 2.7% |
| Salary scale | 4.9% in ERS, indexed by service. |
| Investment rate of return | 7.5% compounded annually, net of investment expenses, including inflation. |
| Cost of living adjustments | 1.4% annually |

**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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information Village of Earlville (the Village), as of and for the year ended May 31, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated January 25, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free 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.

Respectfully Submitted,

A handwritten signature in dark ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, flowing style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
January 25, 2017