

# VILLAGE OF EARLVILLE

Earlville, New York

## FINANCIAL REPORT

For the Year Ended May 31, 2017



**insero&co**

Certified Public Accountants | Business Advisors

---

# VILLAGE OF EARLVILLE

## TABLE OF CONTENTS FOR THE YEAR ENDED MAY 31, 2017

Independent Auditor's Report .....	1-2
Required Supplementary Information	
Management's Discussion and Analysis .....	3-3h
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position .....	4
Statement of Activities .....	5
Fund Financial Statements	
Balance Sheet - Governmental Funds .....	6
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position .....	7
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	8
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	9
Statement of Fiduciary Net Position - Fiduciary Funds .....	10
Notes to Financial Statements .....	11-32
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund - Non-GAAP Basis .....	33
Budgetary Comparison Schedule - Water Fund - Non-GAAP Basis .....	34
Schedule of Village Contributions - NYSLRS Pension Plans .....	35-35a
Schedule of the Village's Proportionate Share of the Net Pension Liability - NYSLRS Pension Plans .....	36
Notes to Required Supplementary Information .....	37-38
Report Required Under <i>Government Auditing Standards</i>	
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 <i>Government Auditing Standards</i> .....	39-40

## 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, 2017, 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 of Earlville as of May 31, 2017, 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.

### ***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 19, 2018, 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 19, 2018

# ***VILLAGE OF EARLVILLE***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2017**

The following is a discussion and analysis of the Village of Earlville's (the Village) financial performance for the fiscal year ended May 31, 2017. 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. 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**

- In accordance with 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," the Village recorded its proportionate share of net pension liability, as well as deferred outflows and deferred inflows of resources related to pensions. The net effect increased pension expense in the Government-wide financial statements by \$4,035. See Note 5 for more detailed information.
- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$667,935 (net position); down from \$707,801 in the prior year. To meet the government's ongoing obligations to citizens and creditors, \$187,797 (unrestricted resources) may be used.
- During the year, the Village had total expenses of \$589,948 that were \$39,866 more than the \$550,082 generated in tax and other revenues for governmental programs.
- The General Fund recorded an increase of \$3,466 in 2017 and had a total fund balance at the end of the year of \$233,463. In the prior year, the General Fund recorded a decrease of \$11.
- The Village's debt obligations decreased by \$72,000 during the current fiscal year from \$2,934,000 in the prior year to \$2,862,000 in the current year.
- Resources available for appropriation in the General Fund were \$9,688 less than budgeted and expenditures were \$78,294 favorable 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, 2017**

- 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 deferred outflows of resources and liabilities and deferred inflows of resources - 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, 2017**

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

The Village's *combined* net position for the fiscal year ended May 31, 2017 decreased to \$667,935. 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 \$302,050 at May 31, 2017. 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>2016</i>	<i>2017</i>	<i>2016 - 2017</i>
<i>Current assets</i>	\$ 265,642	\$ 216,361	\$ (49,281)
<i>Noncurrent assets</i>	106,115	178,088	71,973
<i>Capital assets, net</i>	3,299,233	3,164,050	(135,183)
<b><i>Total Assets</i></b>	<b>3,670,990</b>	<b>3,558,499</b>	<b>(112,491)</b>
<i>Pensions</i>	45,502	17,240	(28,262)
<b><i>Total Deferred of Outflows of Resources</i></b>	<b>45,502</b>	<b>17,240</b>	<b>(28,262)</b>
<i>Current liabilities</i>	82,255	79,595	(2,660)
<i>Noncurrent liabilities</i>	2,914,325	2,818,114	(119,860)
<b><i>Total Liabilities</i></b>	<b>2,996,580</b>	<b>2,897,709</b>	<b>(122,520)</b>
<i>Pensions</i>	12,111	10,095	(2,016)
<b><i>Total Deferred of Inflows of Resources</i></b>	<b>12,111</b>	<b>10,095</b>	<b>(2,016)</b>
<i>Net investment in capital assets</i>	365,233	302,050	(63,183)
<i>Restricted</i>	106,115	178,088	71,973
<i>Unrestricted</i>	236,453	187,797	(48,656)
<b><i>Total Net Position</i></b>	<b>\$ 707,801</b>	<b>\$ 667,935</b>	<b>\$ (39,866)</b>

# **VILLAGE OF EARLVILLE**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2017**

The decrease in current assets is primarily due to the lower cash balances. Noncurrent assets and restricted net position increased because capital reserves for Village buildings and grounds increased and a major street maintenance and road repair capital reserve was established. The decrease in capital assets is mainly due to depreciation expense exceeding capital outlay. Current liabilities slightly decreased due to a decrease in accounts payable offset by an increase in the current portion of bonds payable. Noncurrent liabilities decreased as a result of payment of principal on long-term debt and a decrease in pension liability. Decreases in deferred outflows of resources and deferred inflows of resources are related to changes in the actuarially determined proportionate share of the pension systems plans net pension liability and related deferred outflows and inflows of resources. Net investment in capital assets decreased primarily because depreciation expense exceeded capital outlay and reduction of related debt. Unrestricted net assets decreased due to expenses exceeding revenues in the current year.

**Figure 2  
Changes in Net Position**

	<b>Governmental Activities</b>		<b>Dollar Change</b>
	<b>2016</b>	<b>2017</b>	<b>2016 - 2017</b>
<b>REVENUES</b>			
<i>Program Revenues:</i>			
<i>Charges for services</i>	\$ 219,761	\$ 238,484	\$ 18,723
<i>Operating/Capital grants</i>	1,253	4,970	3,717
<i>General Revenues:</i>			
<i>Property taxes and tax items</i>	207,934	208,139	205
<i>Nonproperty taxes</i>	89,555	86,877	(2,678)
<i>State sources</i>	12,644	11,369	(1,275)
<i>Other</i>	5,293	243	(5,050)
<b>Total Revenues</b>	<b>\$ 536,440</b>	<b>\$ 550,082</b>	<b>\$ 13,642</b>
<b>PROGRAM EXPENSES</b>			
<i>General government</i>	\$ 164,639	\$ 154,906	\$ (9,733)
<i>Public safety</i>	94,529	107,692	13,163
<i>Public health</i>	315	314	(1)
<i>Transportation</i>	28,768	54,829	26,061
<i>Culture and recreation</i>	35,727	26,840	(8,887)
<i>Home and community services</i>	185,105	177,171	(7,934)
<i>Interest on long-term debt</i>	70,118	68,196	(1,922)
<b>Total Expenses</b>	<b>\$ 579,201</b>	<b>\$ 589,948</b>	<b>\$ 10,747</b>
<b>(DECREASE) IN NET POSITION</b>	<b>\$ (42,761)</b>	<b>\$ (39,866)</b>	<b>\$ 2,895</b>

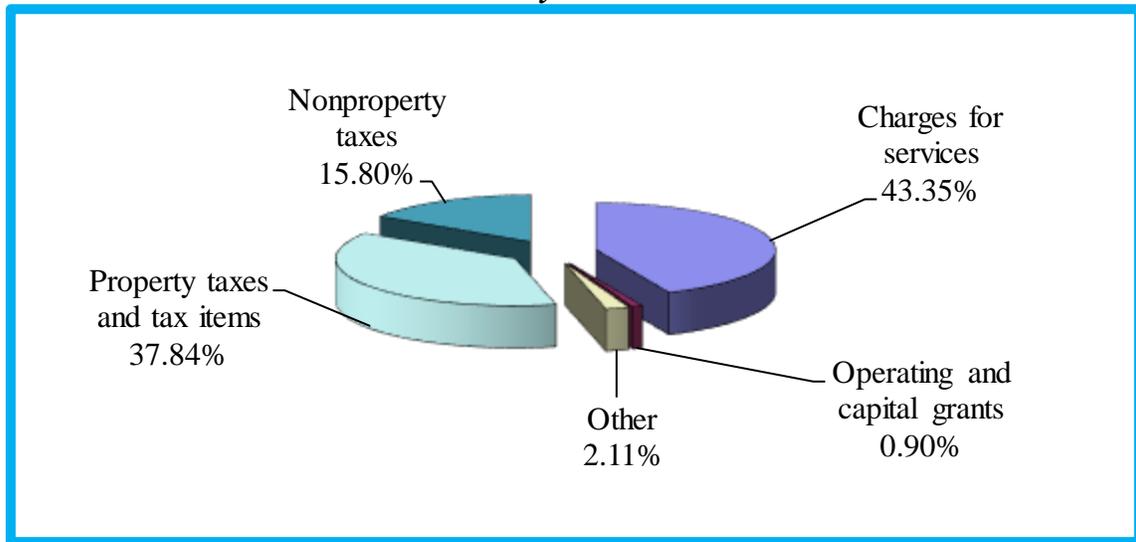
Total revenues increased primarily due to an increase in charges for services program revenues offset by a decrease in other revenues. The increase in charges for services is mainly due to increases in revenues from fire protection for the towns of Hamilton, Lebanon, and Sherburne as well as an increase in metered water sales and interest and penalties on water rents.

# VILLAGE OF EARLVILLE

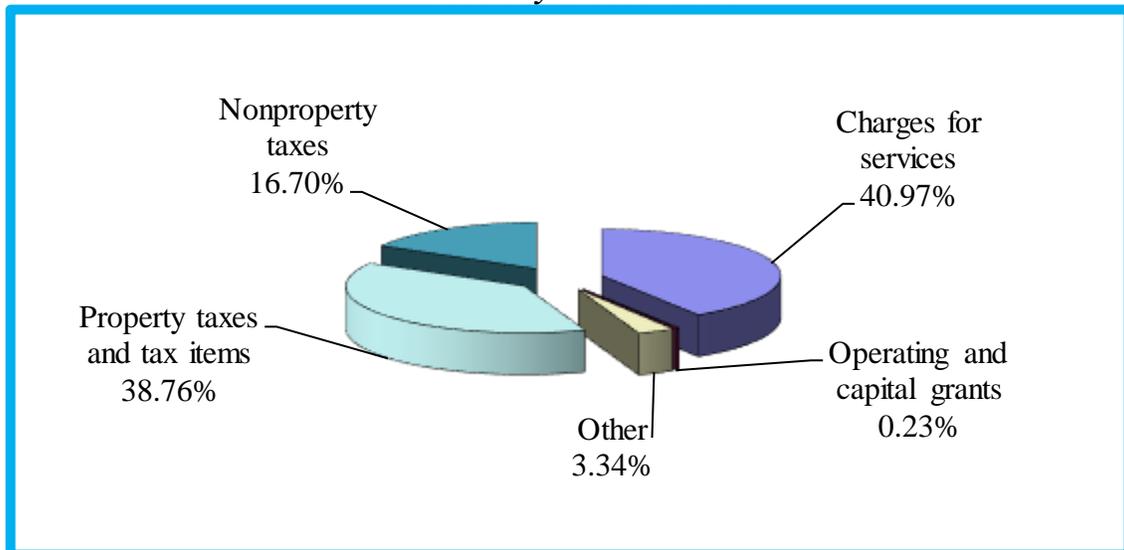
## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2017

The increase in expenses was due to increases in public safety and transportation, offset by decreases in general government, culture and recreation, and home and community services. Public safety increased due to an increase in related depreciation expenses. Transportation increased mainly as a result of snow removal expenditures from winter storm Stella, as well as increases in maintenance of roads. General government decreased due to decreases in auditor related expenses, machine repair expenses, and equipment purchases. Culture and recreation decreased due to a decrease in expenses related to the skate park. Home and community services decreased due to a decrease in related employee benefits.

**Figure 3**  
**Revenue by Source - 2017**



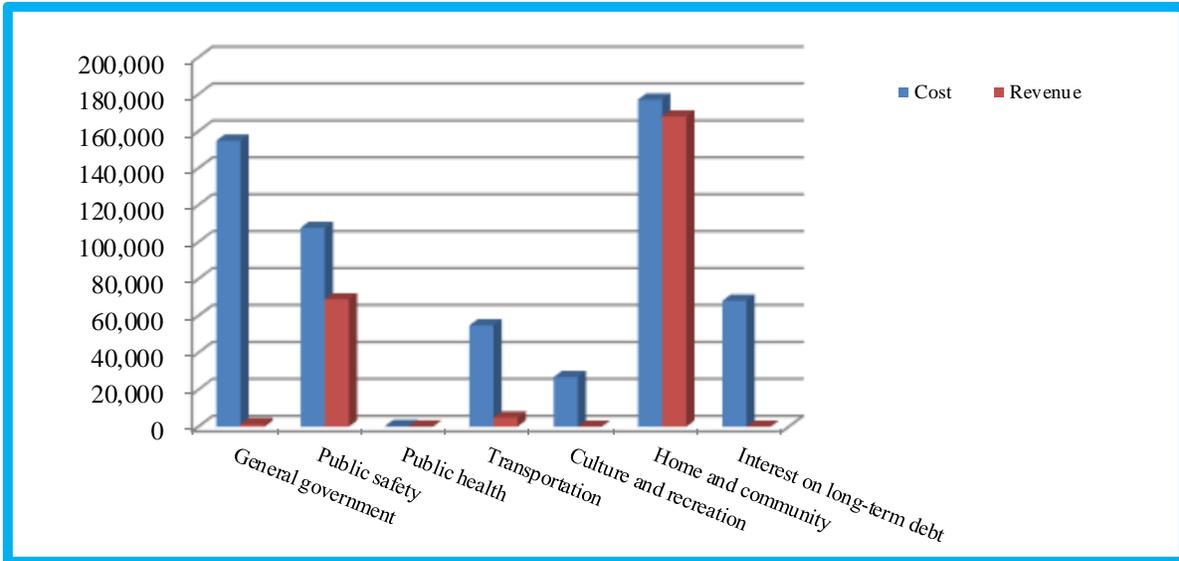
**Figure 4**  
**Revenue by Source - 2016**



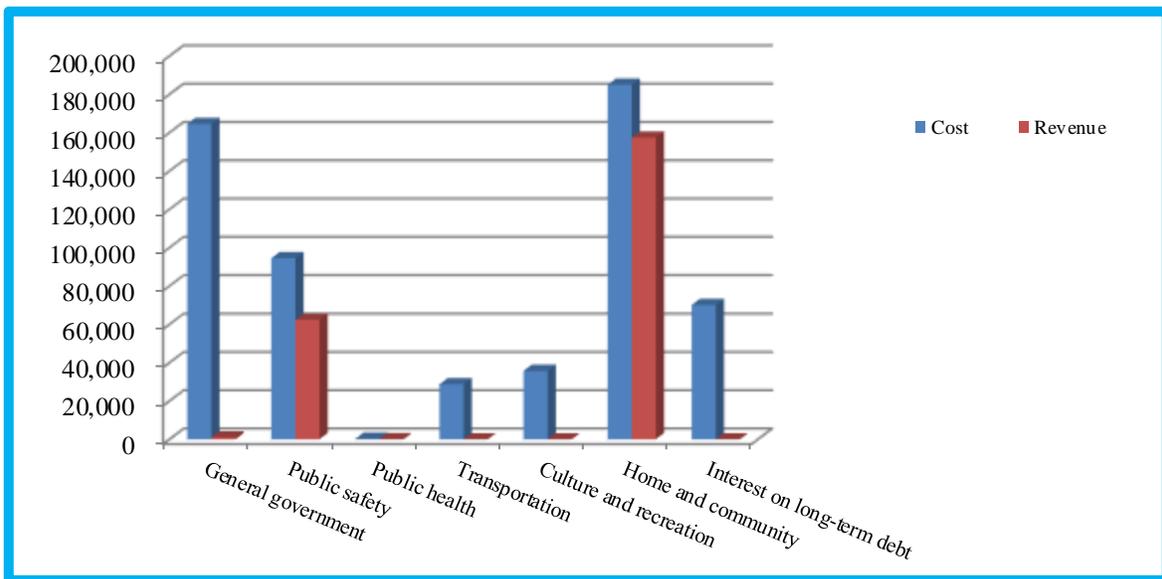
# VILLAGE OF EARLVILLE

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2017

**Figure 5**  
**Net Program Cost Governmental Activities**  
**2017**



**Figure 6**  
**Net Program Cost Governmental Activities**  
**2016**



# VILLAGE OF EARLVILLE

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2017

### 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 \$393,694, an increase of 7.4% over the prior year's fund balance. Figure 7 shows the changes in fund balance for the year for the Village's Major Governmental Funds. The water fund balance increased \$23,571 (17.2%) over the prior year due an excess of revenue, mainly an increase in water metered sales over expenses, and a decrease of employee benefits over the prior year.

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

	<i>Governmental Activities</i>		<i>Dollar Change</i>
	<i>2016</i>	<i>2017</i>	<i>2016 - 2017</i>
<i>General Fund</i>	\$ 229,997	\$ 233,463	\$ 3,466
<i>Water Fund</i>	136,660	160,231	23,571
<b><i>Totals</i></b>	<b>\$ 366,657</b>	<b>\$ 393,694</b>	<b>\$ 27,037</b>

### General Fund Budgetary Highlights

Over the course of the year, the Village Board as well as the management of the Village revised the Village budget several times. Budget amendments consisted of budget transfers between functions, which did not increase the overall budget, and budget revisions, which increased estimated appropriations for the General Fund. Budget revisions primarily affected sales tax and state sources revenue; in some cases the actual revenues did not match the final budget.

Resources available for appropriation were \$9,688 less than the final budget for several reasons. Revenues from nonproperty taxes were below budget due to less than expected taxes being distributed by the County to the Village. Additionally, state sources were below budget due to less than expected mortgage tax aid.

Actual charges to appropriations (expenditures) were \$78,294 below the final budget amounts, primarily because general governmental support expenditures were less than the budgeted amount.

# VILLAGE OF EARLVILLE

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2017

Figure 8 summarizes the General Fund original budget and final budget, actual expenditures (including encumbrances), and variances for the year ended May 31, 2017.

*Figure 8*  
**Budgetary Comparison Schedule**

<i>Condensed Budgetary Comparison General Fund</i>	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actual w/ Encumbrances</i>	<i>Total Dollar Variance</i>
<b>REVENUES</b>				
<i>Real property taxes and tax items</i>	\$ 208,180	\$ 209,334	\$ 208,139	\$ (1,195)
<i>Nonproperty taxes</i>	73,500	91,809	86,877	(4,932)
<i>State sources</i>	13,221	18,427	16,339	(2,088)
<i>All other</i>	65,627	72,129	70,656	(1,473)
<b>Total Revenues</b>	<b>\$ 360,528</b>	<b>\$ 391,699</b>	<b>\$ 382,011</b>	<b>\$ (9,688)</b>
<b>EXPENDITURES</b>				
<i>General support</i>	\$ 162,640	\$ 167,800	\$ 122,887	\$ 44,913
<i>Public safety</i>	68,986	74,391	71,720	2,671
<i>Public health</i>	-	350	314	36
<i>Transportation</i>	31,948	52,782	49,432	3,350
<i>Culture and recreation</i>	32,748	32,575	22,259	10,316
<i>Home and community services</i>	25,651	25,246	19,290	5,956
<i>Employee benefits</i>	41,025	41,025	29,973	11,052
<i>Debt service</i>	62,670	62,670	62,670	-
<b>Total Expenditures</b>	<b>\$ 425,668</b>	<b>\$ 456,839</b>	<b>\$ 378,545</b>	<b>\$ 78,294</b>

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

As of May 31, 2017, the Village had \$ 3,164,050, 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 from the prior year resulting from an excess of depreciation expense (\$142,399) over the purchase of a new spreader core for \$7,216.

*Figure 9*  
**Capital Assets**

	<i>Governmental Activities</i>		<i>Dollar Change</i>
	<i>2016</i>	<i>2017</i>	<i>2016 - 2017</i>
<i>Land</i>	\$ 1,300	\$ 1,300	\$ -
<i>Equipment, net</i>	186,721	144,391	(42,330)
<i>Infrastructure, net</i>	3,111,212	3,018,359	(92,853)
<b>Total</b>	<b>\$ 3,299,233</b>	<b>\$ 3,164,050</b>	<b>\$ (135,183)</b>

# VILLAGE OF EARLVILLE

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2017

### Debt Administration

Debt (serial bonds), considered a liability of Governmental Activities, decreased as a result of principal payments of \$17,000 and \$55,000 made on the pumper truck and water system improvement bonds, respectively. This brought total debt to \$2,862,000 as of May 31, 2017, as shown in Figure 10. Total long term debt subject to the constitutional debt limit is \$161,000 and represented approximately 8.30% of the constitutional debt limit.

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

	<i>Governmental Activities</i>		<i>Dollar Change</i>
	<i>2016</i>	<i>2017</i>	<i>2016 - 2017</i>
<i>Serial bonds</i>	\$ 2,934,000	\$ 2,862,000	\$ (72,000)
<b><i>Total</i></b>	<b>\$ 2,934,000</b>	<b>\$ 2,862,000</b>	<b>\$ (72,000)</b>

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

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

- ❖ No increase in budgeted property tax for 2017-2018.
- ❖ Increase in Water Fund debt service charge of 1% in 2017-2018 budget.
- ❖ Cash purchase of Kubota Tractor for \$25,907 in December 2017, sale of Trac-less snow blower.

### CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, 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, 2017

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents - Unrestricted	\$ 197,095
Other receivables, net	19,266
<b>Total Current Assets</b>	<u>216,361</u>
<b>Noncurrent Assets</b>	
Restricted cash and cash equivalents	178,088
Land and other non-depreciable capital assets	1,300
Capital assets, net of accumulated depreciation	3,162,750
<b>Total Noncurrent Assets</b>	<u>3,342,138</u>
<b>Total Assets</b>	<u>3,558,499</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	17,240
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	755
Interest payable	4,840
Current portion of long-term liabilities:	
Bonds payable	74,000
<b>Total Current Liabilities</b>	<u>79,595</u>
<b>Noncurrent Liabilities</b>	
Net pension liability - Proportionate share	30,114
Bonds payable	2,788,000
<b>Total Noncurrent Liabilities</b>	<u>2,818,114</u>
<b>Total Liabilities</b>	<u>2,897,709</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	10,095
<b>NET POSITION</b>	
Net investment in capital assets	302,050
Restricted	178,088
Unrestricted	187,797
<b>Total Net Position</b>	<u>\$ 667,935</u>

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

# VILLAGE OF EARLVILLE

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MAY 31, 2017

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General governmental support	\$ 154,906	\$ 1,371	\$	\$	\$ (153,535)
Public safety	107,692	68,928			(38,764)
Public health	314	130			(184)
Transportation	54,829			4,970	(49,859)
Culture and recreation	26,840				(26,840)
Home and community services	177,171	168,055			(9,116)
Interest on long-term debt	68,196				(68,196)
<b>Total Functions and Programs</b>	<b>\$ 589,948</b>	<b>\$ 238,484</b>	<b>\$ -</b>	<b>\$ 4,970</b>	<b>(346,494)</b>

### GENERAL REVENUES

Real property taxes	205,180
Real property tax items	2,959
Nonproperty tax items	86,877
Use of money and property	41
Miscellaneous local sources	202
State sources	11,369
<b>Total General Revenues</b>	<b>306,628</b>
 Change in Net Position	 (39,866)
Net Position - Beginning	707,801
<b>Net Position - Ending</b>	<b>\$ 667,935</b>

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

# VILLAGE OF EARLVILLE

## BALANCE SHEET - GOVERNMENTAL FUNDS MAY 31, 2017

	<b>Major Funds</b>		
	<b>General Fund</b>	<b>Special Revenue Water Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents - Unrestricted	\$ 141,911	\$ 55,184	\$ 197,095
Cash and cash equivalents - Restricted	92,185	85,903	178,088
Other receivables, net	7	19,259	19,266
<b>Total Assets</b>	<b>\$ 234,103</b>	<b>\$ 160,346</b>	<b>\$ 394,449</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 640	\$ 115	\$ 755
<b>Total Liabilities</b>	<b>640</b>	<b>115</b>	<b>755</b>
<b>Fund Balances</b>			
Restricted	92,185	85,903	178,088
Assigned	65,129	74,328	139,457
Unassigned	76,149		76,149
<b>Total Fund Balances</b>	<b>233,463</b>	<b>160,231</b>	<b>393,694</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 234,103</b>	<b>\$ 160,346</b>	<b>\$ 394,449</b>

*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, 2017

**Total Governmental Fund Balances** **\$ 393,694**

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	\$ 3,952,804	
Accumulated depreciation	<u>(788,754)</u>	3,164,050

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

ERS net pension liability - Proportionate share	(30,114)
---	----------

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	\$ (10,095)	
ERS deferred outflows of resources - pension	<u>17,240</u>	7,145

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	(4,840)
--------------------------	---------

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>(2,862,000)</u>
---------------	--------------------

**Net Position of Governmental Activities** **\$ 667,935**

*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, 2017

	Major Funds		Total Governmental Funds
	General Fund	Special Revenue Water Fund	
<b>REVENUES</b>			
Real property taxes	\$ 205,180	\$	\$ 205,180
Real property tax items	2,959		2,959
Nonproperty tax items	86,877		86,877
Departmental income	421	168,055	168,476
Intergovernmental charges	61,602		61,602
Use of money and property	25	16	41
Licenses and permits	1,080		1,080
Fines and forfeitures	7,326		7,326
Miscellaneous local sources	202		202
State sources	16,339		16,339
<b>Total Revenues</b>	382,011	168,071	550,082
<b>EXPENDITURES</b>			
<b>Current</b>			
General governmental support	122,887		122,887
Public safety	71,720		71,720
Public health	314		314
Transportation	49,432		49,432
Culture and recreation	22,259		22,259
Home and community services	19,290	51,985	71,275
Employee benefits	29,973	14,674	44,647
<b>Debt Service</b>			
Principal	47,000	25,000	72,000
Interest	15,670	52,841	68,511
<b>Total Expenditures</b>	378,545	144,500	523,045
<b>Excess of Revenues</b>	3,466	23,571	27,037
Excess of Revenues and Other Financing Sources Over (Expenditures) and Other (Uses)	3,466	23,571	27,037
Fund Balances, Beginning of Year	229,997	136,660	366,657
<b>Fund Balances, End of Year</b>	\$ 233,463	\$ 160,231	\$ 393,694

*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, 2017

**Net Change in Fund Balances - Total Governmental Funds** **\$ 27,037**

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	\$ 7,216	
Depreciation expense	<u>(142,399)</u>	(135,183)

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		72,000
--------------------	--	--------

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		315
--	--	-----

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

ERS		<u>(4,035)</u>
-----	--	----------------

**Change in Net Position of Governmental Activities** **\$ (39,866)**

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

# VILLAGE OF EARLVILLE

## STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS MAY 31, 2017

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents - Unrestricted	\$ 10,038
Accounts receivable	<u>115</u>
<b>Total Assets</b>	<b>\$ <u><u>10,153</u></u></b>
<b>LIABILITIES</b>	
Accounts payable	\$ 7
Due to other governments	<u>10,146</u>
<b>Total Liabilities</b>	<b>\$ <u><u>10,153</u></u></b>

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

# ***VILLAGE OF EARLVILLE***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2017**

### ***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, 2017**

### ***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.

Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas.

# ***VILLAGE OF EARLVILLE***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2017**

### ***Note 1* Summary of Significant Accounting Policies - 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, 2017**

### ***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 deferred outflows of resources and liabilities and deferred inflows of resources, 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, 2017**

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

#### **Property Taxes - 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 \$5,000 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, 2017**

### ***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.

No accruals were made for compensatory absences in 2017.

#### **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 complies 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, 2017**

### ***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 Treasurer 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, 2017**

### ***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.

#### **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 5.

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 5.

#### **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, 2017**

### ***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, 2017:

- GASB has issued Statement No. 77, “Tax Abatement Disclosures,” effective for the year ended May 31, 2017.
- GASB has issued Statement No. 78, “Pensions Provided through Certain Multiple - Employer Defined Benefit Pension Plans,” effective for the year ended May 31, 2017.

#### **Future Changes in Accounting Standards**

- 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.”
- 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.

# ***VILLAGE OF EARLVILLE***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2017**

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

#### **Future Changes in Accounting Standards - Continued**

- 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, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.
- GASB has issued Statement No. 83, “Certain Asset Retirement Obligations,” effective for the year ending May 31, 2020.
- GASB has issued Statement No. 84, “Fiduciary Activities,” effective for the year ending May 31, 2020. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 85, “Omnibus 2017,” effective for the year ending May 31, 2019.
- GASB has issued Statement No. 86, “Certain Debt Extinguishment Issues,” effective for the year ending May 31, 2019.
- GASB has issued Statement No. 87, “Leases,” effective for the year ending May 31, 2021.

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. In addition, the Village has its own written investment policy. The Village of Earlville's monies must be deposited in Federal Deposit Insurance Corporation (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 (security) 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, 2017

### *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 \$401,467 at May 31, 2017 are either insured or collateralized with securities held by the pledging financial institution in the Village's name.

### **Restricted Cash**

Total restricted cash of \$178,088 is comprised of \$92,185 capital reserves in the General Fund, and \$85,903 for water improvements and reservoir in the Water Fund.

### *Note 3*      **Other Receivables**

General Fund - Other	\$	7
Water Fund - Water rents receivable		<u>19,259</u>
<b>Total</b>	<b>\$</b>	<b><u>19,266</u></b>

# VILLAGE OF EARLVILLE

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2017

**Note 4 Capital Assets**

A summary of changes in capital assets at May 31, 2017 follows:

<u>Governmental Activities</u>	<u>Balance at May 31, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at May 31, 2017</u>
<b>Non-Depreciable Capital Assets</b>				
Land	\$ 1,300	\$ -	\$ -	\$ 1,300
Total Non-Depreciable Capital Assets	<u>1,300</u>	<u>-</u>	<u>-</u>	<u>1,300</u>
<b>Depreciable Capital Assets</b>				
Buildings	500			500
Equipment	455,439	7,216		462,655
Infrastructure	3,488,349			3,488,349
Total Depreciable Capital Assets	<u>3,944,288</u>	<u>7,216</u>	<u>-</u>	<u>3,951,504</u>
<b>Total Historical Cost</b>	<u>3,945,588</u>	<u>7,216</u>	<u>-</u>	<u>3,952,804</u>
<b>Less Accumulated Depreciation</b>				
Buildings	500			500
Machinery and equipment	268,718	49,546		318,264
Infrastructure	377,137	92,853		469,990
Total Accumulated Depreciation	<u>646,355</u>	<u>142,399</u>	<u>-</u>	<u>788,754</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 3,299,233</u>	<u>\$ (135,183)</u>	<u>\$ -</u>	<u>\$ 3,164,050</u>

Depreciation expense was charged to functions as follows:

<b>Governmental Activities</b>	
General government	\$ 6,995
Public safety	42,551
Culture and recreation services	1,431
Home and community services	<u>91,422</u>
<b>Total</b>	<u>\$ 142,399</u>

# ***VILLAGE OF EARLVILLE***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2017**

### ***Note 5* Pension Obligations - New York State and Local Retirement System**

#### **Plan Descriptions and Benefits Provided**

The Village participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. 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. The Village also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

# VILLAGE OF EARLVILLE

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2017

### Note 5 Pension Obligations - New York State and Local Retirement System - Continued

#### Summary of Significant Accounting Policies

The System's financial statements from which the System's fiduciary respective 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 reports.

#### Contributions

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

	<u>ERS</u>
2017	\$ 11,087
2016	11,986
2015	8,466

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

At May 31, 2017, the Village reported the following liability for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2017. 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	April 1, 2016
Net pension liability	\$ 9,396,223,126
Village's proportionate share of the Plan's total net pension liability	30,114
Village's share of the net pension liability	0.0003205%

# VILLAGE OF EARLVILLE

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2017

**Note 5 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**

For the year ended May 31, 2017, the Village recognized pension expense of \$15,123 in the Government-wide financial statements. At May 31, 2017 the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<b>ERS</b>	<b>ERS</b>
Differences between expected and actual experience	\$ 755	\$ 4,573
Changes of assumptions	10,288	
Net differences between projected and actual earnings on pension plan investments	6,015	
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	182	5,522
<b>Total</b>	<b>\$ 17,240</b>	<b>\$ 10,095</b>

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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended</b>	<b>ERS</b>
2018	\$ 3,573
2019	3,573
2020	4,402
2021	(4,403)
2022	-
Thereafter	-

# ***VILLAGE OF EARLVILLE***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2017**

### ***Note 5* Pension Obligations - New York State and Local Retirement System - Continued**

#### **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:

	<u><b>ERS</b></u>
Measurement date	March 31, 2017
Actuarial valuation date	April 1, 2016
Interest rate	7.0%
Salary scale increases	3.8%
Cost of living adjustments	1.3%
Inflation rate	2.5%

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

The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

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.

# VILLAGE OF EARLVILLE

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2017

### Note 5 Pension Obligations - New York State and Local Retirement System - Continued

#### Actuarial Assumptions - Continued

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

Measurement date	<u>NYSLRS</u> March 31, 2017
Asset Type:	
Domestic equities	4.55%
International equities	6.35%
Real estate	5.80%
Private equity/Alternative investments	7.75%
Absolute return strategies	4.00%
Opportunistic portfolio	5.89%
Real assets	5.54%
Cash	-0.25%
Inflation-indexed bonds	1.50%
Mortgages and bonds	1.31%

#### 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 upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# VILLAGE OF EARLVILLE

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2017

**Note 5 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% for ERS, 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 or higher than the current rate:

<b>ERS</b>	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Village's proportionate share of the net pension liability	\$ 96,177	\$ 30,114	\$ (25,743)

**Pension Plan Fiduciary Net Position**

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

	<b>Dollars in Thousands</b>
	<b>ERS</b>
Measurement date	March 31, 2017
Employers' total pension liability	\$ 177,400,586
Plan net position	(168,004,363)
<b>Employers' Net Pension Liability</b>	<b>\$ 9,396,223</b>

Ratio of Plan Net Position to the Employers' Total Pension Liability	94.7%
---	-------

**Payables to the Pension Plan**

Employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of May 31, 2017 represent the projected employer contribution for the period of April 1, 2016 through May 31, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2017 amounted to \$-0- for ERS.

# VILLAGE OF EARLVILLE

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2017

### *Note 5* Pension Obligations - New York State and Local Retirement System - Continued

#### Effect on Net Position

Changes in the net pension liability and deferred outflows and deferred inflows of resources for the year ended May 31, 2017 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	\$ (52,325)	\$ 22,211	\$ (30,114)
Deferred outflows of resources	45,502	(28,262)	17,240
Deferred inflows of resources	(12,111)	2,016	(10,095)
<b>Total</b>	<b>\$ (18,934)</b>	<b>\$ (4,035)</b>	<b>\$ (22,969)</b>

### *Note 6* 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.

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 7* Long-term Liabilities

#### Debt Limit

At May 31, 2017, the total outstanding indebtedness of the Village of Earlville aggregated \$2,862,000. Of this amount, \$161,000 was subject to the constitutional debt limit and represented approximately 8.30% of the limit.

# VILLAGE OF EARLVILLE

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2017

### Note 7 Long-term Liabilities - Continued

#### 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, 2017:

Description of Issue	Date Issued	Original Amount	Interest Rate	Final Maturity	May 31, 2017 Outstanding
<b>Bonds</b>					
Pumper truck	1/22/2010	\$ 263,750	4.00%	1/22/2025	\$ 161,000
Water system rural development	11/16/2011	2,963,000	2.25%	11/16/1949	<u>2,701,000</u>
<b>Total</b>					<b>\$ <u><u>2,862,000</u></u></b>

#### Changes

The following is a summary of changes in long-term liabilities for the year ended May 31, 2017:

Governmental Activities	Beginning Balance	Issued	Redeemed	Ending Balance	Amount Due Within One Year
Serial Bonds	\$ <u>2,934,000</u>	\$ <u>-</u>	\$ <u>(72,000)</u>	\$ <u>2,862,000</u>	\$ <u>74,000</u>

#### Interest Expenditure

For the year ended May 31, 2017, the governmental funds recognized interest expense of \$68,511. The Government-wide financial statements report interest expenditures of \$68,196; the \$315 difference represents the change in accrued interest, which is only reported on the Government-wide financial statements.

# VILLAGE OF EARLVILLE

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2017

### Note 7 Long-term Liabilities - Continued

#### Summary of Debt Maturity

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

Year	Serial Bonds		
	Principal	Interest	Total
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	81,000	58,329	139,329
2023-2027	393,000	258,271	651,271
2028-2032	365,000	214,054	579,054
2033-2037	410,000	170,550	580,550
2038-2042	460,000	121,613	581,613
2043-2047	512,000	67,005	579,005
2048-2050	335,000	11,419	346,419
<b>Total</b>	<b>\$ 2,862,000</b>	<b>\$ 1,155,483</b>	<b>\$ 4,017,483</b>

### Note 8 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.

# VILLAGE OF EARLVILLE

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2017

### *Note 9* Fund Balance Detail

At May 31, 2017, restricted and assigned fund balance in the governmental funds were as follows:

	<u>General Fund</u>	<u>Water Fund</u>
<b>Restricted</b>		
Capital reserves	\$ 92,185	\$ 85,903
<b>Total</b>	<b><u>\$ 92,185</u></b>	<b><u>\$ 85,903</u></b>
<b>Assigned</b>		
Appropriated for next year's budget	\$ 65,129	\$
Remaining fund balance		74,328
<b>Total</b>	<b><u>\$ 65,129</u></b>	<b><u>\$ 74,328</u></b>

# VILLAGE OF EARLVILLE

## BUDGETARY COMPARISON SCHEDULE GENERAL FUND - NON-GAAP BASIS FOR THE YEAR ENDED MAY 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>				
<b>Local Sources</b>				
Real property taxes	\$ 205,180	\$ 205,180	\$ 205,180	\$ -
Real property tax items	3,000	4,154	2,959	(1,195)
Nonproperty tax items	73,500	91,809	86,877	(4,932)
Departmental income	1,295	1,506	421	(1,085)
Intergovernmental charges	57,882	61,602	61,602	-
Use of money and property	50	50	25	(25)
Licenses and permits	600	640	1,080	440
Fines and forfeitures	4,000	6,531	7,326	795
Miscellaneous local sources	1,800	1,800	202	(1,598)
State sources	13,221	18,427	16,339	(2,088)
<b>Total Revenues</b>	<u>360,528</u>	<u>391,699</u>	<u>382,011</u>	<u>(9,688)</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
General governmental support	162,640	167,800	122,887	44,913
Public safety	68,986	74,391	71,720	2,671
Public health		350	314	36
Transportation	31,948	52,782	49,432	3,350
Culture and recreation	32,748	32,575	22,259	10,316
Home and community services	25,651	25,246	19,290	5,956
Employee benefits	41,025	41,025	29,973	11,052
Debt service (principal and interest)	62,670	62,670	62,670	-
<b>Total Expenditures</b>	<u>425,668</u>	<u>456,839</u>	<u>378,545</u>	<u>78,294</u>
<b>Excess of (Expenditure) Revenue</b>	<u>(65,140)</u>	<u>(65,140)</u>	<u>3,466</u>	<u>\$ <b>68,606</b></u>
Appropriated Fund Balance	<u>65,140</u>	<u>65,140</u>		
Net Increase	<u>\$ -</u>	<u>\$ -</u>	<u>3,466</u>	
Fund Balance, Beginning of Year			<u>229,997</u>	
<b>Fund Balance, End of Year</b>			<u>\$ <b>233,463</b></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, 2017

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>				
<b>Local Sources</b>				
Departmental income	\$ 167,696	\$ 163,682	\$ 168,055	\$ 4,373
Use of money and property		15	16	1
<b>Total Revenues</b>	<b>167,696</b>	<b>163,697</b>	<b>168,071</b>	<b>4,374</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
Home and community services	77,312	66,480	51,985	14,495
Employee benefits	14,474	19,307	14,674	4,633
Debt service (principal and interest)	75,910	77,910	77,841	69
<b>Total Expenditures</b>	<b>167,696</b>	<b>163,697</b>	<b>144,500</b>	<b>19,197</b>
<b>Excess of Revenue</b>	<b>-</b>	<b>-</b>	<b>23,571</b>	<b>23,571</b>
<b>Excess of Revenues and Other Financing Sources over (Expenditures) and Other (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>23,571</b>	<b>\$ 23,571</b>
Fund Balance, Beginning of Year			136,660	
<b>Fund Balance, End of Year</b>			<b>\$ 160,231</b>	

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

# ***VILLAGE OF EARLVILLE***

## **SCHEDULE OF VILLAGE CONTRIBUTIONS NYSLRS PENSION PLANS FOR THE LAST 10 FISCAL YEARS**

	<u>2017</u>	<u>2016</u>
<b>Employees' Retirement System</b>		
Contractually required contribution	\$ 11,087	\$ 11,986
Contributions in relation to the contractually required contribution	11,087	11,986
Contribution deficiency (excess)	-	-
Village's covered - employee payroll	101,271	92,079
Contributions as a percentage of covered - employee payroll	10.9%	12.9%

\* Information not readily available

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

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
\$	8,466	\$ *	\$ *	\$ *	\$ *	\$ *	\$ *	\$ *
	8,466	*	*	*	*	*	*	*
	-	-	-	-	-	-	-	-
	94,116	*	*	*	*	*	*	*
	9.1%	N/A						

# ***VILLAGE OF EARLVILLE***

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

	<u>2017</u>	<u>2016</u>
<b>Employees' Retirement System</b>		
Village's proportion of the net pension liability	<b>0.0003205%</b>	0.0003260%
Village's proportionate share of the net pension liability	<b>\$ 30,114</b>	\$ 52,325
Village's covered-employee payroll during the measurement period	<b>93,278</b>	92,079
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<b>32.3%</b>	56.8%
Plan fiduciary net position as a percentage of the total pension liability	<b>94.7%</b>	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, 2017**

### ***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 Funds:
  - 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, 2017.

# VILLAGE OF EARLVILLE

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED MAY 31, 2017

**Note 4 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, presents two years of information. This schedule will present ten years of information as it becomes available from the pension plans.

**Note 5 Schedules of Village's Contributions - NYSLRS Pension Plans and Schedules of the Village's Proportionate Share of the Net Pension Liability**

### **Changes in Benefit Terms**

There were no significant legislative changes in benefits for the April 1, 2015 actuarial valuation.

### **Changes of Assumptions**

There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2015 actuarial valuation.

### **Methods and Assumptions Used in Calculations of Actuarially Determined Contributions**

The April 1, 2015 actuarial valuation determines the employer rates for contributions payable in fiscal year 2017. 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	2.5%
Salary scale	3.8% in ERS, indexed by service.
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation.
Cost of living adjustments	1.3% 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, 2017, 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 19, 2018.

**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 Village’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 black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
January 19, 2018