

# VILLAGE OF HOMER

Homer, New York

## FINANCIAL REPORT

February 29, 2016



# VILLAGE OF HOMER

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## **INDEPENDENT AUDITOR'S REPORT**

Mayor and Village Trustees  
Village of Homer  
Homer, New York

We have audited the accompanying regulatory basis financial statements of each fund of Village of Homer (the Village), which comprise the Balance Sheet as of February 29, 2016, and the related Statement of Revenues, Expenditures, and Changes in Fund Balances for the year then ended, Budgetary Comparison Schedules for the General and Major Special Revenue Funds, Fiduciary Fund Statements, Noncurrent Assets and Liability Schedules, 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 the financial reporting provisions of the Office of the New York State Comptroller, as described in Note 1, to meet the requirements of New York State. Management is also responsible for 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 error or fraud.

### **Auditor's Responsibility**

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

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

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

**Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1, the financial statements are prepared by the Village of Homer on the basis of the financial reporting provisions of the Office of the New York State Comptroller, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of New York State.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

**Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Village of Homer, as of February 29, 2016, or the respective changes in financial position for the year then ended.

**Unmodified Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the Balance Sheet of the Village of Homer as of February 29, 2016, and the revenues, expenditures and changes in fund balances, and the budgetary comparison schedules thereof for the year then ended, in accordance with the financial reporting provisions of the Office of the New York State Comptroller as described in Note 1.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2016 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

November 1, 2016  
Ithaca, New York

# VILLAGE OF HOMER

## BALANCE SHEET GOVERNMENTAL FUNDS FEBRUARY 29, 2016

	General Fund	Special Revenue Funds	
		Special Grant Fund	Miscellaneous Special Revenue Fund
<b>ASSETS</b>			
Cash and cash equivalents - Unrestricted	\$ 832,969	\$ 292,875	\$ -
Investments	-	-	64,652
Taxes receivable, net	64,296	-	-
Due from other funds	-	-	-
Due from other governments	2	-	-
Other receivables, net	-	-	-
Restricted cash and cash equivalents	937,744	19,008	-
Loans receivable, net	-	19,690	-
<b>Total Assets</b>	<b>\$ 1,835,011</b>	<b>\$ 331,573</b>	<b>\$ 64,652</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 28,006	\$ -	\$ -
Accrued liabilities	-	4,250	-
Due to other funds	10,079	-	-
Due to other governments	145	-	-
<b>Total Liabilities</b>	<b>38,230</b>	<b>4,250</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues	-	19,690	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>19,690</b>	<b>-</b>
<b>FUND BALANCES</b>			
Restricted	937,743	-	-
Assigned	302,475	307,633	64,652
Unassigned	556,563	-	-
<b>Total Fund Balances</b>	<b>1,796,781</b>	<b>307,633</b>	<b>64,652</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,835,011</b>	<b>\$ 331,573</b>	<b>\$ 64,652</b>

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

<b>Special Revenue Funds</b>		<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>Special District Funds</b>			
<b>Sewer Fund</b>	<b>Water Fund</b>		
\$ 385,602	\$ 381,764	\$ 75,437	\$ 1,968,647
			64,652
			64,296
3,691	6,388		10,079
			2
30,134	18,898		49,032
176,860	285,461		1,419,073
			19,690
<b>\$ 596,287</b>	<b>\$ 692,511</b>	<b>\$ 75,437</b>	<b>\$ 3,595,471</b>
\$	\$	\$	\$ 28,006
			4,250
			10,079
			145
-	-	-	42,480
			19,690
-	-	-	19,690
176,860	285,461		1,400,064
419,427	407,050	75,437	1,576,674
			556,563
596,287	692,511	75,437	3,533,301
<b>\$ 596,287</b>	<b>\$ 692,511</b>	<b>\$ 75,437</b>	<b>\$ 3,595,471</b>

# VILLAGE OF HOMER

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED FEBRUARY 29, 2016

	Special Revenue Funds		
	General Fund	Special Grant Fund	Miscellaneous Special Revenue Fund
<b>REVENUES</b>			
Real property taxes	\$ 1,285,217	\$	\$
Real property tax items	30,494		
Nonproperty tax items	749,949		
Departmental income	148,592	16,767	
Intergovernmental charges	240,903		
Use of money and property	1,772	430	(3,664)
Licenses and permits	3,330		
Fines and forfeitures	2,771		
Sale of property and compensation for loss	92,301		
Miscellaneous local sources	17,462		
State sources	128,584	181,348	
Federal sources	21,784		
<b>Total Revenues</b>	2,723,159	198,545	(3,664)
<b>EXPENDITURES</b>			
Current:			
General governmental support	329,567		
Public safety	611,292		
Public health	800		
Transportation	724,544		
Culture and recreation	192,243		
Home and community services	378,627	216,378	
Employee benefits	380,739		
Debt service:			
Principal	15,000		
Interest	9,844		
<b>Total Expenditures</b>	2,642,656	216,378	-
Net Changes in Fund Balances	80,503	(17,833)	(3,664)
Fund Balances, Beginning of Year	1,716,278	325,466	68,316
<b>Fund Balances, End of Year</b>	<b>\$ 1,796,781</b>	<b>\$ 307,633</b>	<b>\$ 64,652</b>

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

<b>Special Revenue Funds</b>		<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>Special District Funds</b>			
<b>Sewer Fund</b>	<b>Water Fund</b>		
\$	\$	\$	\$ 1,285,217
74,767	41,737		146,998
			749,949
487,587	250,288		903,234
31,508			272,411
338	400		(724)
			3,330
			2,771
			92,301
(513)	498		17,447
15,000			324,932
			21,784
608,687	292,923		3,819,650
			329,567
			611,292
			800
			724,544
			192,243
515,168	169,225		1,279,398
33,313	32,163		446,215
72,718	20,000		107,718
2,047	21,725		33,616
623,246	243,113		3,725,393
(14,559)	49,810		94,257
610,846	642,701	75,437	3,439,044
<b>\$ 596,287</b>	<b>\$ 692,511</b>	<b>\$ 75,437</b>	<b>\$ 3,533,301</b>

# VILLAGE OF HOMER

## BUDGETARY COMPARISON SCHEDULE GENERAL FUND FOR THE YEAR ENDED FEBRUARY 29, 2016

	<u>Original Budget</u>	<u>Final Budget</u>
<b>REVENUES</b>		
Real property taxes	\$ 1,285,217	\$ 1,285,217
Real property tax items	19,800	19,800
Nonproperty tax items	672,000	672,000
Departmental income	92,500	93,260
Intergovernmental charges	240,113	240,113
Use of money and property		
Licenses and permits	3,200	3,200
Fines and forfeitures	1,525	1,525
Sale of property and compensation for loss		84,775
Miscellaneous local sources		
State sources	116,000	116,000
Federal sources		21,782
<b>Total Revenues</b>	<u>2,430,355</u>	<u>2,537,672</u>
<b>EXPENDITURES</b>		
Current:		
General governmental support	387,068	389,548
Public safety	570,669	616,879
Health	40	800
Transportation	635,083	866,676
Culture and recreation	222,579	230,062
Home and community services	415,235	431,758
Employee benefits	395,100	387,577
Debt service (principal and interest)	25,632	25,632
<b>Total Expenditures</b>	<u>2,651,406</u>	<u>2,948,932</u>
Excess of (Expenditures) and Other (Uses) Over Revenues and Other Financing Sources	<u>(221,051)</u>	<u>(411,260)</u>
Appropriated Fund Balance	221,051	254,442
Appropriated Reserves	95,000	156,818
(Appropriations of) Additions to Reserves	<u>(95,000)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, Beginning of Year		
<b>Fund Balance, End of Year</b>		

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

<u>Actual</u>	<u>Encumbrances</u>	<u>Fav. (Unfav.) Variance</u>
\$ 1,285,217	\$	\$ -
30,494		10,694
749,949		77,949
148,592		55,332
240,903		790
1,772		1,772
3,330		130
2,771		1,246
92,301		7,526
17,462		17,462
128,584		12,584
21,784		2
2,723,159	-	185,487
329,567	7,415	52,566
611,292	5,365	222
800		-0-
724,544	80,161	61,971
192,243	5,810	32,009
378,627		53,131
380,739		6,838
24,844		788
2,642,656	98,751	207,525
80,503	\$ <u>(98,751)</u>	\$ <u>393,012</u>

80,503  
1,716,278  
**\$ 1,796,781**

# VILLAGE OF HOMER

## BUDGETARY COMPARISON SCHEDULE SPECIAL REVENUE FUND SPECIAL DISTRICT FUND - SEWER FUND FOR THE YEAR ENDED FEBRUARY 29, 2016

	<u>Original Budget</u>	<u>Final Budget</u>
<b>REVENUES</b>		
Real property tax items	\$ 74,765	\$ 74,765
Departmental income	443,000	443,000
Intergovernmental charges	23,000	23,000
Use of money and property		
Miscellaneous local sources		
State sources		30,000
<b>Total Revenues</b>	<u>540,765</u>	<u>570,765</u>
<b>EXPENDITURES</b>		
Current:		
General governmental support	1,000	1,000
Home and community services	483,856	522,857
Employee benefits	36,020	38,124
Debt service (principal and interest)	74,768	74,768
<b>Total Expenditures</b>	<u>595,644</u>	<u>636,749</u>
Excess of (Expenditures)	<u>(54,879)</u>	<u>(65,984)</u>
Appropriated Fund Balance	<u>54,879</u>	<u>65,984</u>
<b>Net Change in Fund Balance</b>	<u>\$ -0-</u>	<u>\$ -0-</u>

Fund Balance, Beginning of Year

**Fund Balance, End of Year**

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

<u>Actual</u>	<u>Encumbrances</u>	<u>Fav. (Unfav.) Variance</u>
\$ 74,767	\$	\$ 2
487,587		44,587
31,508		8,508
338		338
(513)		(513)
15,000		(15,000)
608,687	-	37,922
		1,000
515,168		7,689
33,313		4,811
74,765		3
623,246	-	13,503
(14,559) \$	<u><u>-</u></u> \$	<u><u>51,425</u></u>
(14,559)		
610,846		
\$ <u><u>596,287</u></u>		

# VILLAGE OF HOMER

## BUDGETARY COMPARISON SCHEDULE SPECIAL REVENUE FUND SPECIAL DISTRICT FUND - WATER FUND FOR THE YEAR ENDED FEBRUARY 29, 2016

	<u>Original Budget</u>	<u>Final Budget</u>
<b>REVENUES</b>		
Real property tax items	\$ 43,850	\$ 43,850
Departmental income	242,500	242,500
Use of money and property		
Miscellaneous local sources		
<b>Total Revenues</b>	<u>286,350</u>	<u>286,350</u>
<b>EXPENDITURES</b>		
Current:		
General governmental support	1,000	1,000
Home and community services	227,041	222,947
Employee benefits	37,900	41,994
Debt service (principal and interest)	42,000	42,000
<b>Total Expenditures</b>	<u>307,941</u>	<u>307,941</u>
Excess of Revenues and Other Financing Sources Over (Expenditures) and Other (Uses)	<u>(21,591)</u>	<u>(21,591)</u>
Appropriated Fund Balance	<u>21,591</u>	<u>21,591</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, Beginning of Year		
<b>Fund Balance, End of Year</b>		

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

<u>Actual</u>	<u>Encumbrances</u>	<u>Fav. (Unfav.) Variance</u>
\$ 41,737	\$	\$ (2,113)
250,288		7,788
400		400
498		498
292,923	-	6,573
-		1,000
169,225		53,722
32,163		9,831
41,725		275
243,113		64,828
49,810	\$ -	\$ 71,401
49,810		
642,701		
<b>\$ 692,511</b>		

# VILLAGE OF HOMER

## STATEMENT OF FIDUCIARY NET POSITION AND CHANGES IN NET POSITION FEBRUARY 29, 2016

	<u>Agency Fund</u>	<u>Private Purpose Trust Fund</u>
<b>ASSETS</b>		
Cash:		
Unrestricted	\$ <u>5,517</u>	\$ <u>104,124</u>
Restricted		
Investments:		
Restricted		<u>48,919</u>
<b>Total Assets</b>	<b>\$ <u>5,517</u></b>	<b>\$ <u>153,043</u></b>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Other liabilities	\$ <u>5,517</u>	\$ <u>          </u>
<b>Total Liabilities</b>	<u>5,517</u>	<u>          </u>
Fund Balance:		
Fund Balance - Restricted		<u>153,043</u>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>5,517</u></b>	<b>\$ <u>153,043</u></b>
 <b>CHANGES IN FUND BALANCE</b>		
<b>REVENUES</b>		
Revenues:		
Departmental income		\$ 600
Interest and earnings		<u>(850)</u>
<b>Total Revenue</b>		<u>(250)</u>
 <b>EXPENSES</b>		
Expenses		<u>          </u>
Change in Fund Balance		(250)
Fund Balance, Beginning of Year		<u>153,293</u>
<b>Fund Balance, End of Year</b>		<b>\$ <u>153,043</u></b>

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

# ***VILLAGE OF HOMER***

## **SCHEDULE OF NONCURRENT ASSETS AND LIABILITIES FEBRUARY 29, 2016**

### **NONCURRENT GOVERNMENT ASSETS**

Land	\$	548,689
Buildings		949,849
Improvements other than buildings		18,082
Machinery and equipment		<u>4,318,127</u>
<b>Total Noncurrent Government Assets</b>	<b>\$</b>	<b><u><u>5,834,747</u></u></b>

### **NONCURRENT GOVERNMENT LIABILITIES**

Bonds payable	\$	810,845
Compensated absences		<u>30,731</u>
<b>Total Noncurrent Government Liabilities</b>	<b>\$</b>	<b><u><u>841,576</u></u></b>

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

# ***VILLAGE OF HOMER***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED FEBRUARY 29, 2016**

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

The financial statements of the Village of Homer (the Village) have been prepared in conformity with the accounting principles prescribed by the New York State Office of the State Comptroller, and are not intended to be a complete presentation in accordance with accounting principles generally accepted in the United States of America. The financial statements do not include a Statement of Net Position or a Statement of Activities for the Governmental Activities, prepared on the accrual basis of accounting, or a Management's Discussion and Analysis. The more significant of the Village's accounting policies are described below.

#### **Financial Reporting Entity**

The Village, which was incorporated in 1835, is governed by Village Law, and other general municipal laws of the State of New York, and various local laws. The Mayor and Village Board are the legislative body responsible for overall operations; the Mayor serves as Chief Executive Officer and the Clerk-Treasurer as Chief Fiscal Officer.

The following basic services are provided: public safety, transportation (streets and highways), culture and recreation, home and community services, sanitation, health, planning and zoning, general administration, water and sewer.

All governmental activities and functions performed for the Village 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 Statement No. 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus."

- The primary government, which is the Village
- 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 Village's general purpose financial statements to be misleading or incomplete.

The decision to include a potential component unit in the reporting entity is based on the criteria set forth in GASB Statement No. 14, as amended by GASB Statements No. 39 and No. 61, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, no entities were considered to be component units.

# ***VILLAGE OF HOMER***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED FEBRUARY 29, 2016**

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

#### **Fund Accounting**

The Village uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

#### **Governmental Fund Types**

The Governmental Fund types 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 Fund types. The measurement focus of the Governmental Fund types is based upon determination of financial position and changes in financial position. The following are the Village's Governmental Fund types:

- General Fund: Principal operating fund which includes all operations not required to be recorded in other funds.
- Special Revenue Funds: Account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. The following Special Revenue Funds are utilized:
  - Special Grant Fund: Accounts for proceeds of a specific revenue source, the expenditures of which are legally restricted for purposes specified in the grant agreements.
  - Miscellaneous Special Revenue Fund: Accounts for the Village Cemetery trusts, and other special revenue activities.
  - Special District Funds:
    - Water Fund: Accounts for revenues derived from charges for water consumption and the application of such revenues toward related operating expenses and benefited assessments for debt retirement.
    - Sewer Fund: Accounts for revenues derived from charges for sewer usage and benefited assessments, and the application of such revenues toward related operating expenses and debt retirement.
- Capital Projects Fund: Accounts for and reports financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

# ***VILLAGE OF HOMER***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED FEBRUARY 29, 2016**

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

#### **Fund Accounting - Continued**

##### **Fiduciary Fund Types**

Fiduciary fund types account for assets held by the local government in a trustee or custodial capacity. The following are the Village's Fiduciary Funds:

- Private Purpose Trust Fund: Accounts for cemetery fund. These resources, and those of the Agency Funds described below, do not belong to the Village and are not available to be used.
- Trust and Agency Funds: Account for money and/or property received and held in the capacity of trustee, custodian, or agent.

##### **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 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.

Modified Accrual Basis - All Governmental Funds are accounted for using the modified accrual basis of accounting. Agency Funds are custodial in nature (assets equal liabilities) and generally are accounted for on the cash basis, which approximates 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. The Village recognizes receivables collected within 90 days after year end to be available and recognizes them as revenues of the current year.

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

Expenditures are recorded when incurred except:

- Expenditures for prepaid expenses and inventory type items are recognized at the time of purchase.
- Principal and interest on indebtedness are not recognized as an expenditure until due.
- Compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid. See Note 1.H.

# ***VILLAGE OF HOMER***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED FEBRUARY 29, 2016**

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

#### **Basis of Accounting/Measurement Focus - Continued**

○ General fixed assets are recorded at actual or estimated cost or, in the case of gifts and contributions, at the fair market value at the time received on the Schedule of Noncurrent Governmental Assets. No budgetary provision for depreciation is made. General long-term debt liabilities are recorded at the par value of the principal amount and reported in the Schedule of Noncurrent Governmental Liabilities. No liability is recorded for interest payable to maturity.

#### **Property Taxes**

Village real property taxes are levied annually on March 1, and become a lien on that date. Taxes are due on March 1, and are collectible without additional charge between March 1 and April 2. Tax liens become delinquent on November 1, whereupon they are turned over to the County of Cortland for collection. These uncollected taxes, totaling \$64,296 including late penalties, are expected to be received from the County in full on April 1, 2016.

#### **Budgetary Data**

##### **Budget Policies**

- No later than December 20, a tentative budget is submitted by the budget officer to the Village Board for the fiscal year commencing the following March 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- After public hearings are conducted to obtain taxpayer comments, no later than February 1, the governing Board adopts the budget.
- All modifications of the budget must be approved by the Board of Trustees.

#### **Encumbrances**

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

#### **Budgetary Basis of Accounting**

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

Budgetary controls for the Special Grant Fund are established in accordance with the applicable grant agreement, which covers a period other than the Village's fiscal year.

# ***VILLAGE OF HOMER***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED FEBRUARY 29, 2016**

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

#### **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.

#### **Vacation and Sick Leave and Compensatory Absences**

Full-time employees earn from one to four weeks vacation leave per year depending upon the length of employment. Sick leave is earned at a rate of 12 days per year. Unused sick leave may be accumulated to a total of 150 days. Personal leave is granted at a rate of three days per year.

Part-time, seasonal and temporary employees are not entitled to vacation or personal days. Certain classes of employees may be exempt from this policy at the discretion of the Board of Trustees.

Upon retirement from the Village, an employee will be eligible for payment for unused accumulated sick leave at the employee's regular daily rate of pay to a maximum of \$60 per unused accumulated days. The maximum number of days paid is 150 days (maximum payment: \$9,000). Retirement is defined as actual retirement into the New York State Retirement System in order to receive immediate benefits and not merely "vesting."

An eligible employee must have been employed on a full-time basis by the Village for ten consecutive years prior to retirement. Except in an emergency, an eligible employee must notify the Board of intention to retire at least three full months prior to the effective date of retirement. Late notice may defer payment for one year. If proper notice is provided, payment is made in one lump sum two months after the effective date of retirement.

The monetary value of the accumulated amounts of leave time is recorded in the Schedule of Noncurrent Government Liabilities.

#### **Property, Plant, and Equipment**

Fixed assets purchased for general governmental purposes are recorded as expenditures in the Governmental Funds and are capitalized at cost in the Schedule of Noncurrent Governmental Assets. Contributed fixed assets are recorded at fair market value on the date received. Fixed assets consisting of certain infrastructure type improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage and lighting systems, have not been capitalized. The Village neither recognizes nor records depreciation of fixed assets.

# ***VILLAGE OF HOMER***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED FEBRUARY 29, 2016**

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

#### **Insurance**

The Village maintains insurance coverage for most risk including, but not limited to, property damage and personal injury liability. The Village is self-insured for workers' compensation liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. No settlements exceeded insurance coverage in any of the past three years.

#### **Use of Estimates**

The presentation of financial statements in conformity with the prescribed basis of accounting as applied to governmental units requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Deferred Inflows of Resources**

In addition to liabilities, the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of deferred inflow, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental fund Balance Sheet. The governmental funds report unavailable revenues from loans receivable that remain uncollected 90 days after year-end. These amounts are deferred and recognized in the period that the amounts become available.

#### **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.

# ***VILLAGE OF HOMER***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED FEBRUARY 29, 2016**

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

#### **Equity Management Governmental Fund Financial Statements**

In accordance with accounting principles prescribed by the New York State Office of the State Comptroller, the Village classifies governmental fund balance as follows:

- **Nonspendable**  
Consists of fund balance amounts that cannot be spent either because they are not in spendable 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 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**  
Includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

The Village has not formally adopted a policy defining the order in which to apply expenditures against fund balances. However, the Village considers restricted amounts to be spent first when both restricted and unrestricted fund balances are available, unless prohibited by legal requirements. Additionally, when expenditures are made the Village first uses committed, then assigned, and lastly unassigned fund balance.

# VILLAGE OF HOMER

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED FEBRUARY 29, 2016

### Note 2 Assets

#### Cash and Investments

The Village's investment policies are governed by State statutes. In addition, the Village has its own written investment policy. Village monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. The Clerk-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. The Miscellaneous Special Revenue Fund, may invest in the aforementioned investments as well as in mutual funds.

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.

As of February 29, 2016, the Village's deposits totaled \$3,791,189, and were either insured or collateralized with securities held by the pledging financial institution in the Village's name.

Investments are stated at fair value and are categorized as either (1) insured or registered, with investments held by the Village or the Village's agent in the Village's name, (2) uninsured and unregistered, with investments held by the financial institution's trust department in the Village's name, (3) uninsured and unregistered, with investments held by the financial institution or its trust department but not in the Village's name. The Village had the following investments in the following denominations:

<u>Description</u>	<u>Fund Type</u>	<u>Category</u>	<u>Amount</u>
Mutual Funds	Miscellaneous Special Revenue Fund	(1)	\$ 64,652
Certificates of Deposit	Private Purpose Trust Fund	(1)	\$ 48,919

# VILLAGE OF HOMER

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED FEBRUARY 29, 2016

### Note 2 Cash and Investments - Continued

Credit risk is the risk that the issuer of a debt security will not pay its par value upon maturity. The Village limits its exposure to credit risk by limiting investments to the safest types of securities; pre-qualifying the financial institutions, intermediaries, and advisors with which the Village will conduct business, and diversifying the investment portfolio so that potential losses on individual investments will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The following is the composition of credit quality ratings of the Village's mutual funds:

<u>Investment Ratings</u>	<u>Mutual Funds</u>
AAA	\$ 35,988
AA	1,951
A	6,439
BBB	7,349
BB	3,823
B	3,432
Below B	1,295
Unrated	<u>4,375</u>
<b>Fair Value</b>	<b>\$ <u>64,652</u></b>

### Note 3 Other Receivables

Other receivables for the year ended February 29, 2016 consisted of:

Special Revenue Funds:	
Special District Funds:	
Sewer Fund:	
Sewer rents receivable	\$ 30,134
Water Fund:	
Water rents receivable	<u>18,898</u>
<b>Total</b>	<b>\$ <u>49,302</u></b>

The Special Grant Fund had several Community Rehabilitation Loans receivable in the amount of \$19,690 at February 29, 2016.

No allowances for doubtful accounts have been recorded, as management believes all receivables will be collected.

# VILLAGE OF HOMER

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED FEBRUARY 29, 2016

**Note 4 Fixed Assets**

The changes in fixed assets for the fiscal year ended February 29, 2016 were as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land	\$ 548,689	\$	\$	\$ 548,689
Buildings	952,594		(2,745)	949,849
Improvements other than buildings	18,082			18,082
Machinery and equipment	4,563,449	66,190	(311,512)	4,318,127
<b>Net Fixed Assets</b>	<b>\$ 6,082,814</b>	<b>\$ 66,190</b>	<b>\$ (314,257)</b>	<b>\$ 5,834,747</b>

**Note 5 Interfund Balances and Activity**

Interfund receivable and payable balances at February 29, 2016 were as follows:

	Interfund Receivables	Interfund Payables	Interfund Revenue	Interfund Expenditures
General Fund	\$	\$ 10,079	\$	\$
Water Fund	6,388			
Sewer Fund	3,691			
<b>Total</b>	<b>\$ 10,079</b>	<b>\$ 10,079</b>	<b>\$ -</b>	<b>\$ -</b>

**Note 6 Pension Plans**

**Plan Description**

The Village participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS), and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer defined benefit retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems.

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

# VILLAGE OF HOMER

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED FEBRUARY 29, 2016

### **Note 6 Pension Plans - Continued**

#### **Funding Policy**

Plan members who joined the Systems before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 and before January 1, 2010 with less than ten years of membership are required to contribute 3% of their annual salary until they have ten years of membership. Those joining the Systems on or after January 1, 2010 but before April 1, 2012 are required to contribute 3% of their annual salary for their entire working career. Those joining on or after April 1, 2012 will contribute for their entire membership, but their contributions will range from 3% - 6% depending on their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Village is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	<u>ERS</u>	<u>PFRS</u>
2016	\$ 125,251	\$ 54,126
2015	126,705	54,571
2014	121,178	33,021

The Village's contributions made to the Systems were equal to 100% of the contributions required for each year.

### **Note 7 Short-term Debt**

#### **Bond Anticipation Notes (BANs)**

Liabilities for short-term BANs are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually beginning with the second complete year of origination.

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 to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

The Village did not issue or redeem any BANs during the fiscal year, and there were no outstanding BANs at year end.

# VILLAGE OF HOMER

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED FEBRUARY 29, 2016

**Note 8 Long-term Debt**

At February 29, 2016, the total outstanding indebtedness of the Village aggregated to \$810,845. Of this amount, \$425,845 is subject to the statutory debt limit, and represents approximately 4.3% of the Village's debt limit.

**Serial Bonds and Installment Purchase Debt**

The Village 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 Schedule of Noncurrent Governmental Liabilities. 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.

**Changes in Long-term Liabilities**

The following is a summary of changes in long-term liabilities for the year ended February 29, 2016:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Serial bonds	\$ 918,563	\$	\$ (107,718)	\$ 810,845	\$ 113,488
Compensated absences	48,570		(17,839)	30,731	-
<b>Total</b>	<b>\$ 967,133</b>	<b>\$ -</b>	<b>\$ (125,557)</b>	<b>\$ 841,576</b>	<b>\$ 113,488</b>

Additions and deletions to compensated absences are shown net, as it is impractical to determine the amounts separately.

**Summary of Serial Bonds**

For the fiscal year ended February 29, 2016, the Serial Bonds, including issue and maturity dates and interest rates, consisted of the following:

<b>Purpose of Issue</b>	<b>Final Maturity</b>	<b>Interest Rate</b>	<b>Payable to Maturity</b>
Sewer system - EFC	6/01/2017	2.000%	\$ 82,345
Sewer system - EFC	7/01/2020	5.800%	163,500
Fire fighting vehicle	5/01/2024	5.125%	180,000
Water tank	5/01/2030	5.250%	385,000
<b>Total</b>			<b>\$ 810,845</b>

# VILLAGE OF HOMER

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED FEBRUARY 29, 2016

### Note 8 Long-term Debt - Continued

The following is a summary of maturing debt service requirements for serial bonds:

Year	Principal	Interest	Total
2017	\$ 113,488	\$ 30,789	\$ 144,277
2018	114,257	27,816	142,073
2019	72,700	25,250	97,950
2020	77,700	22,963	100,663
2021	82,700	20,406	103,106
2022-2026	215,000	63,106	278,106
2027-2030	135,000	15,264	150,264
	<b>\$ 810,845</b>	<b>\$ 205,594</b>	<b>\$ 1,016,439</b>

Interest expenditures on long-term debt totaled \$33,616.

### Note 9 Fund Balance Detail

At February 29, 2016, restricted and assigned fund balances in the governmental funds were as follows:

	General Fund	Special Grant Fund	Miscellaneous Special Revenue Fund	Sewer Fund	Water Fund	Capital Projects Fund
<b>Restricted:</b>						
Repair reserve	\$ 178,511	\$	\$	\$ 122,834	\$	\$
Employee benefits reserve	65,455					
Capital reserve	693,777			20,881	285,461	
Reserve for improvements						
Reserve for debt				33,145		
Restricted for grant activity						
<b>Total Restricted Fund Balance</b>	<b>\$ 937,743</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 176,860</b>	<b>\$ 285,461</b>	<b>\$ -</b>
<b>Assigned:</b>						
Appropriated for next year's budget	\$ 203,724	\$	\$	\$ 44,554	\$ 56,132	\$
Encumbered for:						
General governmental support	7,415					
Public safety	5,365					
Transportation	80,161					
Culture and recreation	5,810					
Home and community services						
Remaining fund balance	307,633	64,652	374,873	350,918	75,437	
<b>Total Assigned Fund Balance</b>	<b>\$ 302,475</b>	<b>\$ 307,633</b>	<b>\$ 64,652</b>	<b>\$ 419,427</b>	<b>\$ 407,050</b>	<b>\$ 75,437</b>

# ***VILLAGE OF HOMER***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED FEBRUARY 29, 2016**

***Note 10*** **Subsequent Events**

Subsequent to year end, the Village began a project to update the water meters of village residents. This project has been undertaken in conjunction with the City of Cortland and the Village of Cortlandville. The City of Cortland will be the lead on the project and will purchase the water meters for all three entities and bill the Villages. The Village purchased water meters from the City of Cortland approximating \$200,000 subsequent to year end. The Village plans to use grant funding to reimburse the City of Cortland.

***Note 11*** **Related Party**

Suit-Kote Corporation - The Mayor of the Village is related to an individual within management at the Suit-Kote Corporation. The Village contracts with the Suit-Kote Corporation for paving and road repair services. All contracts between the Village and the Corporation are reviewed and approved by the full board without the vote of the Mayor. The Village expended \$85,512 to Suit-Kote during the year ended February 29, 2016.

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHERS MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Mayor and Village Trustees  
Village of Homer  
Homer, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund and the aggregate remaining fund information of Village of Homer (the Village), as of and for the year ended February 29, 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 November 1, 2016.

**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.

This report is intended solely for the information and use of the Village Mayor, Village Trustees, Village management and regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

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

November 1, 2016  
Ithaca, New York