

### **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 Mayor, Village Trustees, management of the Village and regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Cianchi, D'Amico, Little, Michelson, & Company, LLP*

November 18, 2013  
Ithaca, New York

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**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 28, 2013, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 18, 2013.

**Internal Control Over Financial Reporting**

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

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

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

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VILLAGE OF HOMER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED FEBRUARY 28, 2011

Note 3 - Fund Equity

A. Restricted Fund Balances

Restricted fund balances consist of reserves established for the following purposes:

General Fund:	
Repair Reserve	\$ 254,357
Reserve for Employee Benefits	77,366
Capital Reserve	<u>712,750</u>
Total General Fund	<u>\$ 1,044,473</u>
Special Revenue Funds:	
Special District Funds:	
Sewer Fund:	
Sewer Repair Reserve	\$ 143,418
Sewer Debt Service	<u>33,109</u>
Total Sewer Fund	<u>176,527</u>
Water Fund:	
Water Capital Reserve	<u>286,515</u>
Total Water Fund	<u>286,515</u>
Total Special Revenue Funds	<u>\$ 463,042</u>

Note 4 - Stewardship, Compliance and Accountability

At February 28, 2013; the General Fund had budget overexpenditures of \$(756) of Health funds, \$(22,808) of Culture and Recreation funds and \$(35,235) of Employee Benefit funds; the Water Fund had budget overexpenditures of \$(60) of Debt Service funds.

VILLAGE OF HOMER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED FEBRUARY 28, 2013

b. Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended February 28, 2013:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year
Serial bonds	\$ 1,232,100	\$	\$ (100,409)	\$ 1,131,691	\$ 106,179
Compensated absences	73,934		(1,780)	72,154	-0-
Total	\$ 1,306,034	\$ -0-	\$ (102,189)	\$ 1,203,845	\$ 106,179

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

c. Summary of Serial Bonds

For the fiscal year ended February 28, 2013, the Serial Bonds, including issue and maturity dates and interest rates, consisted of the following:

Description of Issue	Final Maturity	Interest Rate	Payable to Maturity
Serial Bonds:			
Sewer System - EFC	6/01/2017	2.00%	\$ 200,091
Sewer System - EFC	7/01/2020	5.80%	261,600
Fire Fighting Vehicle	5/01/2024	5.125%	225,000
Water Tank	5/01/2030	5.25%	445,000
Total Serial Bonds			\$ 1,131,691

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

Year	Principal	Interest	Total
2014	\$ 106,179	\$ 38,886	\$ 145,065
2015	106,949	36,271	143,220
2016	107,718	33,616	141,334
2017	113,488	30,789	144,277
2018	114,257	27,816	142,073
2019-2023	333,100	101,369	434,469
2024-2028	180,000	41,769	221,769
2029-2030	70,000	3,850	73,850
	\$ 1,131,691	\$ 314,366	\$ 1,446,057

Interest expenditures on long-term debt totaled \$41,354.

VILLAGE OF HOMER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED FEBRUARY 28, 2013

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.

b. 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 are required to contribute 3% of their annual salary for their entire working career. 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>
2013	\$ 118,695	\$ 56,520
2012	88,945	44,176
2011	60,451	30,815

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

2. Short-term Debt

a. 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.

3. Long-term Debt

a. 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.

VILLAGE OF HOMER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED FEBRUARY 28, 2013

<u>Investment Ratings</u>	<u>Mutual Funds</u>
AAA	\$ 28,516
AA	2,724
A	6,358
BBB	7,202
BB	2,897
B	3,145
Below B	880
Unrated	<u>2,917</u>
Fair Value	<u>\$ 54,639</u>

3. Other Receivables

Other receivables for the year ended February 28, 2013 consisted of:

Special Revenue Funds:	
Special District Funds:	
Sewer Fund:	
Sewer rents receivable	\$ 18,307
Water Fund:	
Water rents receivable	<u>10,571</u>
Total	<u>\$ 28,878</u>

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

4. Fixed Assets

The changes in fixed assets for the fiscal year ended February 28, 2013 are as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Land	\$ 548,689	\$	\$	\$ 548,689
Buildings	774,795	172,254		947,049
Machinery and equipment	<u>3,680,457</u>	<u>509,427</u>	<u>(223,112)</u>	<u>3,966,772</u>
Net Fixed Assets	<u>\$ 5,003,941</u>	<u>\$ 681,681</u>	<u>\$ (223,112)</u>	<u>\$ 5,462,510</u>

B. Liabilities

1. Pension Plans

a. 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.

VILLAGE OF HOMER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED FEBRUARY 28, 2013

**Note 2 - Detail Notes on All Funds**

**A. Assets**

**1. Cash and Investments**

The Village's investment policies are governed by State statutes. In addition, the Village has its own written investment policy. The 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, as a trust, 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 Number 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

As of February 28, 2013, the Village's deposits totaled \$3,432,729, and are either insured or collateralized with securities held by the pledging financial institution in the Village's name.

**2. Investments**

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 has the following investments in the following denominations:

<u>Description</u>	<u>Fund Type</u>	<u>Category</u>	<u>Amount</u>
	Miscellaneous Special Revenue Fund		
Mutual Funds	Fund	(1)	\$ <u>54,639</u>
	Private Purpose Trust Fund		
Certificates of Deposit	Fund	(1)	\$ <u>100,114</u>

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:

VILLAGE OF HOMER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED FEBRUARY 28, 2013

**K. 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.

**L. Equity Management**

**1. Governmental Fund Financial Statements**

In accordance with Governmental Accounting Standards Board Statement Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions," 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, which 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 balance is available, unless prohibited by legal requirements. Additionally, when expenditures are made the Village first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance.

VILLAGE OF HOMER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED FEBRUARY 28, 2013

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.

F. 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.

G. Investments

Investments are stated at fair value.

H. 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 twelve 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.

I. 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.

J. 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.

VILLAGE OF HOMER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED FEBRUARY 28, 2013

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:

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

**D. 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 collections. These uncollected taxes, totaling \$80,891 including late penalties, are expected to be received from the County in full on April 1, 2013.

**E. Budgetary Data**

**1. Budget Policies**

The budget policies are as follows:

- 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.

**2. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed for the General and Special Revenue Funds. Encumbrances are reported as reservations 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.

**3. 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.

VILLAGE OF HOMER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED FEBRUARY 28, 2013

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 for 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 revenues derived from benefited assessments used 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.

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:

Trust and Agency Funds: Account for money and/or property received and held in the capacity of trustee, custodian, or agent. These funds include an Agency Fund and a Private Purpose Trust Fund.

**C. Basis of Accounting/Measurement Focus**

Basis of accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the 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.

VILLAGE OF HOMER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 2013

**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.

**A. 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 Number 14, "The Financial Reporting Entity," as amended by GASB Statement Number 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement Number 61, "The Financial Reporting Entity: Omnibus."

1. The primary government, which is the Village.
2. Organizations for which the primary government is financially accountable, and;
3. 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 Number 14, as amended by GASB Statement Numbers 39 and 61, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, no entities were considered to be component units.

**B. 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.

The Village records its transactions in the fund types described below:

**1. Fund Categories**

**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:

VILLAGE OF HOMER  
SCHEDULE OF NONCURRENT ASSETS AND LIABILITIES  
FEBRUARY 28, 2013

**NONCURRENT GOVERNMENT ASSETS**

Land	\$ 548,689
Buildings	947,049
Machinery and equipment	<u>3,966,772</u>
Total Noncurrent Government Assets	<u>\$ 5,462,510</u>

**NONCURRENT GOVERNMENT LIABILITIES**

Bonds payable	\$ 1,131,691
Compensated absences	<u>72,154</u>
Total Noncurrent Government Liabilities	<u>\$ 1,203,845</u>

See Independent Auditor's Report and Notes to Financial Statements

VILLAGE OF HOMER  
STATEMENT OF FIDUCIARY FUND BALANCE  
AND CHANGES IN FUND BALANCE  
FEBRUARY 28, 2013

	<u>Agency Fund</u>	<u>Private Purpose Trust Fund</u>
<b><u>ASSETS</u></b>		
Cash:		
Unrestricted	\$ 531	\$
Restricted		45,530
Investments:		
Restricted		100,114
Total Assets	\$ 531	\$ 145,644
<b><u>LIABILITIES AND FUND BALANCE</u></b>		
Liabilities:		
Other liabilities	\$ 531	\$
Total Liabilities	531	-0-
Fund Balance:		
Fund Balance - Reserved		145,644
Total Liabilities and Fund Balance	\$ 531	\$ 145,644
<b><u>CHANGES IN FUND BALANCE</u></b>		
<b><u>REVENUES</u></b>		
Revenues:		
Interest and earnings		\$ 6,784
<b><u>EXPENSES</u></b>		
Expenses		
Change in Fund Balance		6,784
Fund Balance, Beginning of Year		138,860
Fund Balance, End of Year		\$ 145,644

See Independent Auditor's Report and Notes to Financial Statements

39,516
598,859
<u>\$ 638,375</u>

Actual	Encumbrances	Fav. (Unfav.) Variance
\$ 41,447	\$	447
248,143		3,293
653		153
290,243	-0-	3,893
119		881
177,426		94,423
33,413		4,160
39,769		(60)
250,727		99,404
39,516	-0-	103,297

VILLAGE OF HOMER  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
SPECIAL DISTRICT FUND - WATER FUND  
FOR THE YEAR ENDED FEBRUARY 28, 2013

	<u>Original Budget</u>	<u>Final Budget</u>
<b><u>REVENUES</u></b>		
Real property tax items	\$ 41,000	\$ 41,000
Departmental income	<u>244,850</u>	<u>244,850</u>
Use of money and property	<u>500</u>	<u>500</u>
Total Revenues	<u>286,350</u>	<u>286,350</u>
<b><u>EXPENDITURES</u></b>		
Current:		
General governmental support	<u>1,000</u>	<u>1,000</u>
Home and community services	<u>239,379</u>	<u>271,849</u>
Employee benefits	<u>37,573</u>	<u>37,573</u>
Debt service (principal and interest)	<u>39,709</u>	<u>39,709</u>
Total Expenditures	<u>317,661</u>	<u>350,131</u>
Excess of (Expenditures) Revenues	<u>(31,311)</u>	<u>(63,781)</u>
Appropriated Fund Balance	<u>61,311</u>	<u>93,781</u>
Appropriated Reserves	<u>(30,000)</u>	<u>(30,000)</u>
Net Change in Fund Balance	<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

Actual	Encumbrances	Fav. (Unfav.) Variance
\$ 75,595	\$	60
446,458		1,414
33,032		5,332
501		1
555,586	-0-	6,807
117		883
410,730		55,695
16,253		313
74,788		-0-
501,888	-0-	56,891
53,698	\$ -0-	63,698
\$ 583,156		

53,698

529,458

\$ 583,156

VILLAGE OF HOMER  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
SPECIAL DISTRICT FUND - SEWER FUND  
FOR THE YEAR ENDED FEBRUARY 28, 2013

	<u>Original Budget</u>	<u>Final Budget</u>
<b><u>REVENUES</u></b>		
Real property tax items	\$ 75,535	\$ 75,535
Departmental income	<u>445,044</u>	<u>445,044</u>
Intergovernmental charges	<u>27,700</u>	<u>27,700</u>
Use of money and property	<u>500</u>	<u>500</u>
Total Revenues	<u>548,779</u>	<u>548,779</u>
<b><u>EXPENDITURES</u></b>		
Current:		
General governmental support	<u>1,000</u>	<u>1,000</u>
Home and community services	<u>456,425</u>	<u>466,425</u>
Employee benefits	<u>16,566</u>	<u>16,566</u>
Debt service (principal and interest)	<u>74,788</u>	<u>74,788</u>
Total Expenditures	<u>548,779</u>	<u>558,779</u>
Excess of (Expenditures) Revenues	<u>-0-</u>	<u>(10,000)</u>
Appropriated Fund Balance	<u>-0-</u>	<u>10,000</u>
Net Change in Fund Balance	<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>
\$ 1,230,308	\$	\$ -0-
25,580		(2,320)
779,831		121,831
103,484		15,984
224,936		2,000
2,754		754
4,937		2,322
951		601
78,163		78,163
10,060		60
100,627		5,727
38,567		4,750
2,600,198	-0-	229,872

377,765		52,787
563,304		10,374
796		(756)
785,390		23,895
297,145		(22,808)
370,081		85,995
359,060		(35,235)
27,206		1
2,780,747	-0-	114,253
(180,549)	\$ -0-	\$ 344,125

(180,549)  
1,761,152  
\$ 1,580,603

VILLAGE OF HOMER  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED FEBRUARY 28, 2013

	<u>Original Budget</u>	<u>Final Budget</u>
<b><u>REVENUES</u></b>		
Real property taxes	\$ 1,230,308	\$ 1,230,308
Real property tax items	27,900	27,900
Nonproperty tax items	658,000	658,000
Departmental income	87,500	87,500
Intergovernmental charges	222,936	222,936
Use of money and property	2,000	2,000
Licenses and permits	2,615	2,615
Fines and forfeitures	350	350
Sale of property and compensation for loss		
Miscellaneous local sources		10,000
State sources	94,900	94,900
Federal sources		33,817
Total Revenues	<u>2,326,509</u>	<u>2,370,326</u>
<b><u>EXPENDITURES</u></b>		
Current:		
General governmental support	368,639	430,552
Public safety	509,369	573,678
Health	40	40
Transportation	487,922	809,285
Culture and recreation	216,729	274,337
Home and community services	392,778	456,076
Employee benefits	323,825	323,825
Debt service (principal and interest)	27,207	27,207
Total Expenditures	<u>2,326,509</u>	<u>2,895,000</u>
Excess of (Expenditures)	<u>-0-</u>	<u>(524,674)</u>
Appropriated Fund Balance		490,000
Appropriated Reserves		34,674
Net Change in Fund Balance	<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

Special Revenue Funds		Capital Projects Fund	Total Governmental Funds
Special District Funds			
Sewer Fund	Water Fund		
\$	\$	\$	\$
			1,230,308
75,595	41,447		142,622
			779,831
446,458	248,143		809,233
33,032			257,968
501	653		11,859
			4,937
			951
			78,163
			10,060
			157,824
			123,895
555,586	290,243	-0-	3,607,651
117	119		378,001
			563,304
			796
			785,390
			297,145
410,730	177,426		1,118,506
16,253	33,413		408,726
70,409	15,000		100,409
4,379	24,769		41,354
501,888	250,727	-0-	3,693,631
53,698	39,516	-0-	(85,980)
529,458	598,859	75,437	3,350,046
\$ 583,156	\$ 638,375	\$ 75,437	\$ 3,264,066

VILLAGE OF HOMER  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED FEBRUARY 28, 2013

		Special Revenue Funds	
	General Fund	Special Grant Fund	Miscellaneous Special Revenue Fund
<b><u>REVENUES</u></b>			
Real property taxes	\$ 1,230,308	\$	\$
Real property tax items	25,580		
Nonproperty tax items	779,831		
Departmental income	103,484	11,148	
Intergovernmental charges	224,936		
Use of money and property	2,754	2,705	5,246
Licenses and permits	4,937		
Fines and forfeitures	951		
Sale of property and compensation for loss	78,163		
Miscellaneous local sources	10,060		
State sources	100,627	57,197	
Federal sources	38,567	85,328	
Total Revenues	2,600,198	156,378	5,246
<b><u>EXPENDITURES</u></b>			
Current:			
General governmental support	377,765		
Public safety	563,304		
Public health	796		
Transportation	785,390		
Culture and recreation	297,145		
Home and community services	370,081	160,269	
Employee benefits	359,060		
Debt service:			
Principal	15,000		
Interest	12,206		
Total Expenditures	2,780,747	160,269	-0-
Excess of (Expenditures) Revenues	(180,549)	(3,891)	5,246
Fund Balances, Beginning of Year	1,761,152	335,747	49,393
Fund Balances, End of Year	\$ 1,580,603	\$ 331,856	\$ 54,639

See Independent Auditor's Report and Notes to Financial Statements

Special Revenue Funds			
Special District Funds		Capital Projects Fund	Total Governmental Funds
Sewer Fund	Water Fund		
\$ 388,322	\$ 341,289	\$ 75,437	\$ 1,595,491
			54,639
			80,891
			28,397
18,307	10,571		28,878
176,527	286,515		1,507,515
			37,983
\$ 583,156	\$ 638,375	\$ 75,437	\$ 3,333,794
\$	\$	\$	\$ 31,745
			37,983
-0-	-0-	-0-	69,728
176,527	286,515		1,507,515
406,629	351,860	75,437	1,280,880
			475,671
583,156	638,375	75,437	3,264,066
\$ 583,156	\$ 638,375	\$ 75,437	\$ 3,333,794

VILLAGE OF HOMER  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
FEBRUARY 28, 2013

	Special Revenue Funds		
	General Fund	Special Grant Fund	Miscellaneous Special Revenue Fund
<b><u>ASSETS</u></b>			
Assets:			
Cash and cash equivalents - Unrestricted	\$ 455,239	\$ 335,204	\$
Investments			54,639
Taxes receivable, net	80,891		
Due from state and federal governments		28,397	
Other receivables, net			
Restricted cash and cash equivalents	1,044,473		
Loans receivable, net		37,983	
Total Assets	\$ 1,580,603	\$ 401,584	\$ 54,639
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$	\$ 31,745	\$
Deferred revenues		37,983	
Total Liabilities	-0-	69,728	-0-
Fund Balances:			
Restricted	1,044,473		
Assigned	60,459	331,856	54,639
Unassigned	475,671		
Total Fund Balances	1,580,603	331,856	54,639
Total Liabilities and Fund Balances	\$ 1,580,603	\$ 401,584	\$ 54,639

See Independent Auditor's Report and Notes to Financial Statements

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

As described in Note 1, to meet the financial reporting requirements of New York, the financial statements are prepared by 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. 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 in the first paragraph 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 28, 2013, or the revenues, expenditures and changes in fund balances for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory-basis Balance Sheet of Village of Homer as of February 28, 2013, and the regulatory-basis revenues, expenditures and changes in fund balances 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 18, 2013, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

*Cianchi, Ditzler, Little, McClellan, & Company, LLP*

November 18, 2013  
Ithaca, New York

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



**Ciaschi • Dietershagen • Little • Mickelson  
& Company, LLP**

*Certified Public Accountants and Consultants*

Frederick J. Ciaschi, C.P.A.

**INDEPENDENT AUDITOR'S REPORT**

Mayor and Village Trustees  
Village of Homer  
Homer, New York

We have audited the accompanying Balance Sheet - regulatory basis of Village of Homer (the Village), as of February 28, 2013, and the related Statement of Revenues, Expenditures, and Changes in Fund Balances - regulatory basis for the year then ended.

**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. 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.

- 1 -

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**VILLAGE OF HOMER**  
**Homer, New York**  
**FINANCIAL REPORT**  
**February 28, 2013**