

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'Intino, Little, Middleman, & Company, LLP

September 24, 2015
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, 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 24, 2015.

Internal Control Over Financial Reporting

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

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

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

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VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED FEBRUARY 28, 2015

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 107,718	\$ 33,616	\$ 141,334
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
2021-2025	267,700	75,262	342,962
2026-2030	165,000	23,514	188,514
	<u>\$ 918,563</u>	<u>\$ 239,210</u>	<u>\$ 1,157,773</u>

Interest expenditures on long-term debt totaled \$36,271.

Note 3 - Fund Balance Detail

At February 28, 2015, restricted and assigned fund balances in the governmental funds were as follows:

	<u>General Fund</u>	<u>Special Grant Fund</u>	<u>Miscellaneous Special Revenue Fund</u>	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Capital Projects Fund</u>
Restricted:						
Repair Reserve	\$ 168,362	\$	\$	\$ 122,725	\$	\$
Employee Benefits Reserve	73,388					
Capital Reserve	687,072				285,226	
Reserve for Improvements				20,858		
Reserve for Debt				33,144		
Restricted for Grant Activity		10,250				
Total Restricted Fund Balance	<u>\$ 928,822</u>	<u>\$ 10,250</u>	<u>\$ -0-</u>	<u>\$ 176,727</u>	<u>\$ 285,226</u>	<u>\$ -0-</u>
Assigned:						
Appropriated for next year's budget	\$ 391,051	\$	\$	\$	\$	\$
Encumbered for:						
General governmental support	2,480					
Public safety	5,428					
Culture and recreation	7,482					
Home and community services						
Remaining fund balance		315,216	68,316	434,119	357,475	75,437
Total Assigned Fund Balance	<u>\$ 406,441</u>	<u>\$ 315,216</u>	<u>\$ 68,316</u>	<u>\$ 434,119</u>	<u>\$ 357,475</u>	<u>\$ 75,437</u>

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED FEBRUARY 28, 2015

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

At February 28, 2015, the total outstanding indebtedness of the Village aggregated to \$915,563. Of this amount, \$513,563 is subject to the statutory debt limit, and represents approximately 5.0% of the Village's debt limit.

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.

b. Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended February 28, 2015:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Serial bonds	\$ 1,025,512	\$	\$ (106,949)	\$ 918,563	\$ 107,718
Compensated absences	64,331		(15,761)	48,570	-0-
Total	\$ 1,089,843	\$ -0-	\$ (122,710)	\$ 967,133	\$ 107,718

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, 2015, 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	2.000%	\$ 122,363
Sewer System - EFC	7/01/2020	5.800%	196,200
Fire Fighting Vehicle	5/01/2024	5.125%	195,000
Water Tank	5/01/2030	5.250%	405,000
Total Serial Bonds			\$ 918,563

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED FEBRUARY 28, 2015

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.

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 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>
2015	\$ 126,705	\$ 54,571
2014	121,178	33,021
2013	118,695	56,520

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.

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED FEBRUARY 28, 2015

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	\$ 36,477
AA	2,156
A	7,549
BBB	7,918
BB	3,201
B	4,384
Below B	1,895
Unrated	<u>4,736</u>
 Fair Value	 \$ <u>68,316</u>

3. Other Receivables

Other receivables for the year ended February 28, 2015 consisted of:

Special Revenue Funds:	
Special District Funds:	
Sewer Fund:	
Sewer rents receivable	\$ 29,252
Water Fund:	
Water rents receivable	<u>18,507</u>
 Total	 \$ <u>47,759</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, 2015 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	949,849		2,745	952,594
Improvements other than buildings	18,082			18,082
Machinery and equipment	3,848,382	794,639	(79,572)	4,563,449
Construction work in progress	<u>2,745</u>		<u>(2,745)</u>	<u>-0-</u>
 Net Fixed Assets	 \$ <u>5,367,747</u>	 \$ <u>794,639</u>	 \$ <u>(79,572)</u>	 \$ <u>6,082,814</u>

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED FEBRUARY 28, 2015

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, 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 28, 2015, the Village's deposits totaled \$3,589,141, 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		(1)	\$ <u>68,316</u>
	Private Purpose Trust Fund		
Certificates of Deposit		(1)	\$ <u>64,698</u>

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED FEBRUARY 28, 2015

M. Equity Management

1. 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, 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 balances are 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, 2015

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.

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. 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 as an inflow of resources in the period that the amounts become available.

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED FEBRUARY 28, 2015

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 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.

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.

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 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.

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED FEBRUARY 28, 2015

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.

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:

1. Expenditures for prepaid expenses and inventory type items are recognized at the time of purchase.
2. Principal and interest on indebtedness are not recognized as an expenditure until due.
3. Compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid. See Note 1.H.
4. 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 \$73,918 including late penalties, are expected to be received from the County in full on April 1, 2015.

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED FEBRUARY 28, 2015

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:

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.

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.

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2015

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 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."

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 No. 14, as amended by GASB Statements No. 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.

VILLAGE OF HOMER
SCHEDULE OF NONCURRENT ASSETS AND LIABILITIES
FEBRUARY 28, 2015

NONCURRENT GOVERNMENT ASSETS

Land	\$ 548,689
Buildings	952,594
Improvements other than buildings	18,082
Machinery and equipment	<u>4,563,449</u>
Total Noncurrent Government Assets	<u>\$ 6,082,814</u>

NONCURRENT GOVERNMENT LIABILITIES

Bonds payable	\$ 918,563
Compensated absences	<u>48,570</u>
Total Noncurrent Government Liabilities	<u>\$ 967,133</u>

See Independent Auditor's Report and Notes to Financial Statements

VILLAGE OF HOMER
STATEMENT OF FIDUCIARY NET POSITION
AND CHANGES IN NET POSITION
FEBRUARY 28, 2015

	<u>Agency Fund</u>	<u>Private Purpose Trust Fund</u>
<u>ASSETS</u>		
Cash:		
Unrestricted	\$ 4,292	
Restricted		88,595
Investments:		
Restricted		64,698
Total Assets	\$ 4,292	\$ 153,293

<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Other liabilities	\$ 4,292	
Total Liabilities	4,292	-0-
Fund Balance:		
Fund Balance - Restricted		153,293
Total Liabilities and Fund Balance	\$ 4,292	\$ 153,293

CHANGES IN FUND BALANCE

<u>REVENUES</u>		
Revenues:		
Departmental income		\$ 1,330
Interest and earnings		1,598
Total Revenue		2,928

<u>EXPENSES</u>		
Expenses		
Change in Fund Balance		2,928
Fund Balance, Beginning of Year		150,365
Fund Balance, End of Year		\$ 153,293

See Independent Auditor's Report and Notes to Financial Statements

<u>Actual</u>	<u>Encumbrances</u>	<u>Fav. (Unfav.) Variance</u>
\$ 42,843	\$	\$ 43
262,147		7,778
130		30
16		16
305,136	-0-	7,867
500		500
139,545		80,599
39,711		4,358
42,800		-0-
222,556		85,457
82,580	-0-	93,324
(94,972)		-0-
(94,972)	-0-	-0-
(12,392) \$	-0-	\$ 93,324
(12,392)		
655,093		
\$ 642,701		

VILLAGE OF HOMER
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
SPECIAL DISTRICT FUND - WATER FUND
FOR THE YEAR ENDED FEBRUARY 28, 2015

	<u>Original Budget</u>	<u>Final Budget</u>
<u>REVENUES</u>		
Real property tax items	\$ 42,800	\$ 42,800
Departmental income	254,369	254,369
Use of money and property	100	100
Miscellaneous local sources		
Total Revenues	<u>297,269</u>	<u>297,269</u>
<u>EXPENDITURES</u>		
Current:		
General governmental support	1,000	1,000
Home and community services	176,606	220,144
Employee benefits	51,347	44,069
Debt service (principal and interest)	42,800	42,800
Total Expenditures	<u>271,753</u>	<u>308,013</u>
Excess of Revenue	<u>25,516</u>	<u>(10,744)</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Interfund transfers (out)		(94,972)
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>(94,972)</u>
Excess of Revenues and Other Financing Sources Over (Expenditures) and Other (Uses)	<u>25,516</u>	<u>(105,716)</u>
Appropriated Reserves	-0-	94,972
Appropriated Fund Balance	<u>-0-</u>	<u>36,260</u>
Additions to Reserves	<u>(25,516)</u>	<u>(25,516)</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>
\$ 75,597	\$	\$ 2
485,309		(7,738)
34,058		8,091
128		28
595,092	-0-	383

1,000		3,130
473,242		29,817
32,641		90
74,789		-0-
581,672	-0-	33,037
13,420	\$ -0-	\$ 33,420

13,420
597,426
\$ 610,846

VILLAGE OF HOMER
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
SPECIAL DISTRICT FUND - SEWER FUND
FOR THE YEAR ENDED FEBRUARY 28, 2015

	<u>Original Budget</u>	<u>Final Budget</u>
<u>REVENUES</u>		
Real property tax items	\$ 75,595	\$ 75,595
Departmental income	493,047	493,047
Intergovernmental charges	25,967	25,967
Use of money and property	100	100
Total Revenues	<u>594,709</u>	<u>594,709</u>
<u>EXPENDITURES</u>		
Current:		
General governmental support	4,130	4,130
Home and community services	490,456	503,059
Employee benefits	25,334	32,731
Debt service (principal and interest)	74,789	74,789
Total Expenditures	<u>594,709</u>	<u>614,709</u>
Excess of Revenue	<u>-0-</u>	<u>(20,000)</u>
Appropriated Fund Balance	<u>-0-</u>	<u>20,000</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
\$ 1,267,217	\$	\$ -0-
26,639		4,639
830,101		20,101
109,054		4,373
236,190		1
181		(819)
3,119		(81)
3,179		1,654
46,011		1,817
981		981
129,043		12,108
158,555		-0-
2,810,270	-0-	44,774

336,322	2,480	53,686
1,099,144	5,428	26,570
466		-0-
724,708		60,338
189,901	7,482	24,175
342,468		33,273
373,150		15,245
25,631		1
3,091,790	15,390	213,288
(281,520)	(15,390)	258,062

94,972		94,972
94,972	-0-	94,972

(186,548)	\$ (15,390)	\$ 353,034
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(186,548)
1,902,826
\$ 1,716,278

VILLAGE OF HOMER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 28, 2015

	<u>Original Budget</u>	<u>Final Budget</u>
<u>REVENUES</u>		
Real property taxes	\$ 1,267,217	\$ 1,267,217
Real property tax items	22,000	22,000
Nonproperty tax items	662,000	810,000
Departmental income	104,255	104,681
Intergovernmental charges	236,189	236,189
Use of money and property	1,000	1,000
Licenses and permits	3,200	3,200
Fines and forfeitures	1,525	1,525
Sale of property and compensation for loss		44,194
Miscellaneous local sources		
State sources	107,000	116,935
Federal sources		158,555
Total Revenues	<u>2,404,386</u>	<u>2,765,496</u>
<u>EXPENDITURES</u>		
Current:		
General governmental support	393,055	392,488
Public safety	544,049	1,131,142
Health	40	466
Transportation	557,183	785,046
Culture and recreation	214,857	221,558
Home and community services	363,741	375,741
Employee benefits	388,395	388,395
Debt service (principal and interest)	25,632	25,632
Total Expenditures	<u>2,486,952</u>	<u>3,320,468</u>
Excess of (Expenditures) Revenue	<u>(82,566)</u>	<u>(554,972)</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Interfund transfers in		
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>-0-</u>
Excess of (Expenditures) and Other (Uses)		
Over Revenues and Other Financing Sources	<u>(82,566)</u>	<u>(554,972)</u>
Appropriated Fund Balance	216,566	460,442
Appropriated Reserves		419,253
Additions to Reserves	<u>(134,000)</u>	<u>(324,723)</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

Special Revenue Funds		Capital Projects Fund	Total Governmental Funds
Special District Funds			
Sewer Fund	Water Fund		
\$	\$	\$	\$
			1,267,217
75,597	42,843		145,079
			830,101
485,309	262,147		867,399
34,058			270,248
128	130		6,040
			3,119
			3,179
			46,011
	16		997
			135,043
			254,797
595,092	305,136	-0-	3,829,230
1,000	500		337,822
			1,099,144
			466
			724,708
			189,901
473,242	139,545		1,061,524
32,641	39,711		445,502
71,949	20,000		106,949
2,840	22,800		36,271
581,672	222,556	-0-	4,002,287
13,420	82,580	-0-	(173,057)
			94,972
	(94,972)		(94,972)
-0-	(94,972)	-0-	-0-
13,420	(12,392)	-0-	(173,057)
597,426	655,093	75,437	3,612,101
\$	\$	\$	\$
610,846	642,701	75,437	3,439,044

VILLAGE OF HOMER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED FEBRUARY 28, 2015

		Special Revenue Funds	
	General Fund	Special Grant Fund	Miscellaneous Special Revenue Fund
<u>REVENUES</u>			
Real property taxes	\$ 1,267,217	\$	\$
Real property tax items	26,639		
Nonproperty tax items	830,101		
Departmental income	109,054	10,889	
Intergovernmental charges	236,190		
Use of money and property	181	29	5,572
Licenses and permits	3,119		
Fines and forfeitures	3,179		
Sale of property and compensation for loss	46,011		
Miscellaneous local sources	981		
State sources	129,043	6,000	
Federal sources	158,555	96,242	
Total Revenues	2,810,270	113,160	5,572
<u>EXPENDITURES</u>			
Current:			
General governmental support	336,322		
Public safety	1,099,144		
Public health	466		
Transportation	724,708		
Culture and recreation	189,901		
Home and community services	342,468	106,269	
Employee benefits	373,150		
Debt service:			
Principal	15,000		
Interest	10,631		
Total Expenditures	3,091,790	106,269	-0-
Excess of (Expenditures) Revenues	(281,520)	6,891	5,572
<u>OTHER FINANCING SOURCES (USES)</u>			
Interfund transfers in	94,972		
Interfund transfers (out)			
Total Other Financing Sources	94,972	-0-	-0-
Net Changes in Fund Balances	(186,548)	6,891	5,572
Fund Balances, Beginning of Year	1,902,826	318,575	62,744
Fund Balances, End of Year	\$ 1,716,278	\$ 325,466	\$ 68,316

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		
\$ 405,042	\$ 339,207	\$ 75,437	\$ 1,848,638
			68,316
			73,918
			2
29,252	18,507		47,759
176,727	285,226		1,405,275
			33,061
\$ 611,021	\$ 642,940	\$ 75,437	\$ 3,476,969
\$ 175	\$ 239	\$	\$ 468
			4,250
			146
175	239	-0-	4,864
			33,061
-0-	-0-	-0-	33,061
176,727	285,226		1,401,025
434,119	357,475	75,437	1,657,004
			381,015
610,846	642,701	75,437	3,439,044
\$ 611,021	\$ 642,940	\$ 75,437	\$ 3,476,969

VILLAGE OF HOMER
BALANCE SHEET
GOVERNMENTAL FUNDS
FEBRUARY 28, 2015

		Special Revenue Funds	
	General Fund	Special Grant Fund	Miscellaneous Special Revenue Fund
<u>ASSETS</u>			
Cash and cash equivalents - Unrestricted	\$ 713,736	\$ 315,216	\$
Investments			68,316
Taxes receivable, net	73,918		
Due from other governments	2		
Other receivables, net			
Restricted cash and cash equivalents	928,822	14,500	
Loans receivable, net		33,061	
 Total Assets	 \$ 1,716,478	 \$ 362,777	 \$ 68,316
<u>LIABILITIES</u>			
Accounts payable	\$ 54	\$	\$
Accrued liabilities		4,250	
Due to other governments	146		
 Total Liabilities	 200	 4,250	 -0-
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenues		33,061	
 Total Deferred Inflows of Resources	 -0-	 33,061	 -0-
<u>FUND BALANCES</u>			
Restricted	928,822	10,250	
Assigned	406,441	315,216	68,316
Unassigned	381,015		
 Total Fund Balances	 1,716,278	 325,466	 68,316
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 \$ 1,716,478	 \$ 362,777	 \$ 68,316

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, 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, 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 28, 2015, 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 28, 2015, 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 September 24, 2015, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Cianchi, Ditzler, Little, Miedler, & Company, LLP

September 24, 2015
Ithaca, New York

John H. Dietershagen, C.P.A.
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**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

Report on the Financial Statements

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 28, 2015, and the related Statement of Revenues, Expenditures, and Changes in Fund Balances for the year then ended, Budgetary Comparison Statements 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.

- 1 -

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VILLAGE OF HOMER

Homer, New York

FINANCIAL REPORT

February 28, 2015