

# VILLAGE OF OWEGO

## FINANCIAL REPORT

JULY 31, 2014



**insero&co**

Certified Public Accountants | Business Advisors

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# VILLAGE OF OWEGO

## TABLE OF CONTENTS FOR THE YEAR ENDED JULY 31, 2014

Independent Auditor's Report .....	1-3
Required Supplementary Information	
Management's Discussion and Analysis .....	4-4i
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position .....	5
Statement of Activities .....	6
Fund Financial Statements	
Balance Sheet - Governmental Funds .....	7
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position .....	8
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds .....	9-9a
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	10
Statement of Fiduciary Net Position - Fiduciary Funds .....	11
Notes to Financial Statements .....	12-28
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund - Non-GAAP Budget Basis .....	29
Budgetary Comparison Schedule - Sewer Fund - Non-GAAP Budget Basis .....	30
Schedule of Funding Progress .....	31
Notes to Required Supplementary Information .....	32
Reports Required Under Government Auditing Standards	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	33-34
Reports Required Under the Single Audit Act (OMB Circular A-133)	
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 .....	35-36
Schedule of Expenditures of Federal Awards .....	37
Notes to Schedule of Expenditures of Federal Awards .....	38
Schedule of Findings and Questioned Costs .....	39-43

## **INDEPENDENT AUDITOR'S REPORT**

Mayor and Village Trustees  
Village of Owego  
Owego, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Owego as of and for the year ended July 31, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Owego, as of July 31, 2014, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of a Matter***

During the year ended July 31, 2014, the Village of Owego implemented Governmental Accounting Standards Board Statement No. 65, "Items Previously Reported as Assets and Liabilities." Our opinion is not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and Schedule of Funding Progress on pages 4-4i and 29-32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Owego's basic financial statements. The Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2016, on our consideration of the Village of Owego'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 of Owego's internal control over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in black ink that reads "Inero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Inero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
September 19, 2016

# ***VILLAGE OF OWEGO***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JULY 31, 2014**

The following is a discussion and analysis of the Village of Owego's financial performance for the fiscal year ended July 31, 2014. This section is a summary of the Village's financial activities based on currently known facts, decisions, or conditions. It is also based on both the Government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the Village's financial statements, which immediately follow this section.

### **FINANCIAL HIGHLIGHTS**

The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$7,368,100 (net position). Unrestricted net position totaled \$321,653 at July 31, 2014.

- During the year, the Village had expenses that were \$2,745 more than the \$5,355,354 generated in tax and other revenues for governmental programs.
- The General Fund recorded an increase of \$252,003 in 2014 and had a fund balance at the end of the year of \$688,991.
- The resources available for appropriation in the General Fund were \$283,754 more than budgeted and the expenditures were \$82,711 unfavorable when compared to budget. The Village did not adjust its original budget for changes that were necessary as the year progressed; this caused the expenditures incurred to exceed the budget.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: MD&A (this section), the basic financial statements and supplementary information, both required and not required. The basic financial statements include two kinds of statements that present different views of the Village.

- The first two statements are Government-wide financial statements that provide both short-term and long-term information about the Village's overall financial status.
- The remaining statements are Governmental Fund financial statements that focus on individual parts of the Village, reporting the Village's operations in greater detail than the Government-wide financial statements. The Governmental Fund financial statements concentrate on the Village's most significant funds with all other Non-Major Funds listed in total in one column.
- The Governmental Funds statements detail how basic services such as regular and special revenues were financed in the short-term as well as what remains for future spending.

# ***VILLAGE OF OWEGO***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JULY 31, 2014**

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Village's budgets for the year.

### **Government-wide Statement of Net Position and Statement of Activities**

The Statement of Net Position and Statement of Activities report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Village's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-wide financial statements report the Village's net position and how it has changed. Net position - the difference between the Village's assets and liabilities - is one way to measure the Village's financial health or position. Over time, increases or decreases in the Village's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

### **Governmental Fund Financial Statements**

The Governmental Funds are accounting devices the Village uses to keep track of specific sources of funding and spending. The Village's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the Statement of Net Position and Statement of Activities, additional information in the notes to the financial statements explains the relationship (or differences) between them.

# ***VILLAGE OF OWEGO***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JULY 31, 2014**

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

The Village's *combined* net position for fiscal year ended July 31, 2014 decreased from \$7,370,845 to \$7,368,100. Our analysis below focuses on the net position (Figure 1), and changes in net position (Figure 2), of the Village's Governmental Activities.

*Figure 1  
Net Position*

<i>Condensed Statements of Net Position</i>			
	<i>2013</i>	<i>2014</i>	<i>Variance</i>
<i>Current assets</i>	\$ 1,782,671	\$ 2,254,196	\$ 471,525
<i>Noncurrent assets</i>	66,838	73,068	6,230
<i>Capital assets, net</i>	7,749,923	7,384,123	(365,800)
<b><i>Total Assets</i></b>	<b>9,599,432</b>	<b>9,711,387</b>	<b>111,955</b>
<i>Current liabilities</i>	641,737	823,199	181,462
<i>Noncurrent liabilities</i>	1,586,850	1,520,088	(66,762)
<b><i>Total Liabilities</i></b>	<b>2,228,587</b>	<b>2,343,287</b>	<b>114,700</b>
<i>Net investment in capital assets</i>	6,573,864	6,221,394	(352,470)
<i>Restricted</i>	730,745	825,053	94,308
<i>Unrestricted</i>	66,236	321,653	255,417
<b><i>Total Net Position</i></b>	<b>\$ 7,370,845</b>	<b>\$ 7,368,100</b>	<b>\$ (2,745)</b>

Current assets of the Village increased primarily due to higher cash balances. Capital assets, net of the Village decreased during the current year, due to depreciation expense exceeding current capital asset additions. Current liabilities increased due to short-term debt incurred during the year on a sewer improvement project. Net position was nearly unchanged.

# VILLAGE OF OWEGO

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JULY 31, 2014

*Figure 2  
Changes in Net Position*

<i>Changes in Net Assets</i>			<i>Dollar Variance</i>	<i>Percentage Variance</i>
	<i>2013</i>	<i>2014</i>		
<i>REVENUES</i>				
<b><i>Program revenues:</i></b>				
<i>Charges for services</i>	\$ 989,997	\$ 1,395,419	\$ 405,422	40.95%
<i>Operating grants</i>	272,171	300,726	28,555	10.49%
<i>Capital grants</i>	1,032,097	590,219	(441,878)	(42.81)%
<b><i>General revenues:</i></b>				
<i>Property taxes and tax items</i>	2,132,352	2,119,367	(12,985)	(0.61)%
<i>Nonproperty taxes</i>	392,902	391,073	(1,829)	(0.47)%
<i>Other general revenues</i>	590,353	558,550	(31,803)	(5.39)%
<b><i>Total revenues</i></b>	<b>5,409,872</b>	<b>5,355,354</b>	<b>(54,518)</b>	<b>(1.01)%</b>
<i>PROGRAM EXPENSES</i>				
<i>General government</i>	908,174	800,565	(107,609)	(11.84)%
<i>Public safety</i>	2,102,387	1,894,362	(208,025)	(9.89)%
<i>Transportation</i>	984,735	803,350	(181,385)	(18.42)%
<i>Economic assistance and opportunity</i>	84,114	31,308	(52,806)	(62.78)%
<i>Culture and recreation</i>	592,838	203,813	(389,025)	(65.62)%
<i>Home and community services</i>	1,290,945	1,615,267	324,322	25.12%
<i>Interest on long-term debt</i>	14,874	9,434	(5,440)	(36.57)%
<b><i>Total expenses</i></b>	<b>5,978,067</b>	<b>5,358,099</b>	<b>(619,968)</b>	<b>(10.37)%</b>
<b><i>(DECREASE) INCREASE IN NET POSITION</i></b>	<b>\$ (568,195)</b>	<b>\$ (2,745)</b>	<b>\$ 565,450</b>	<b>(99.52)%</b>

### Governmental Activities

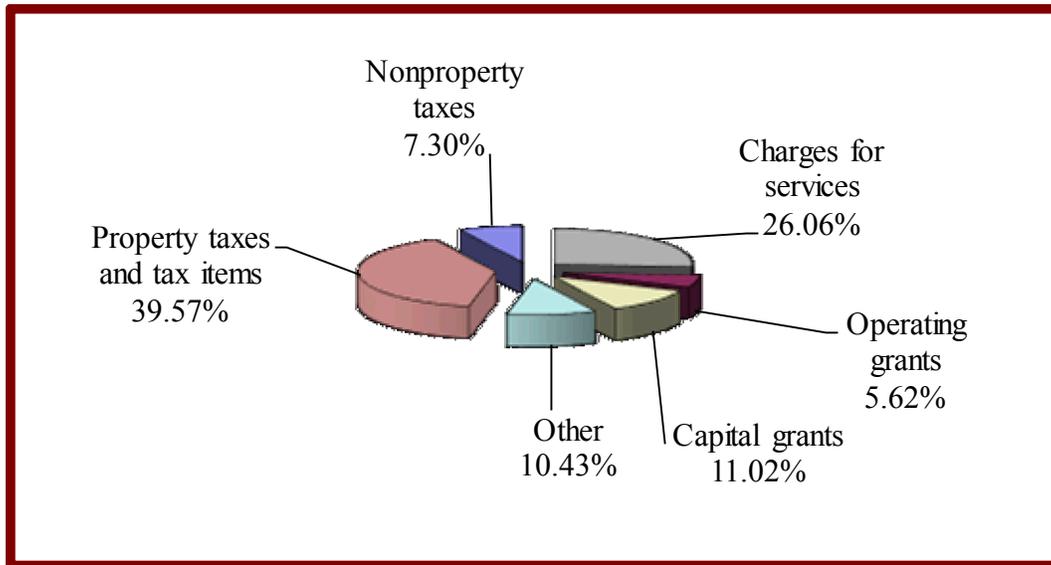
Capital grants revenue decreased due to declining flood recovery grants, as recovery from the devastating September 2011 flood continued. Charges for services increased due to increased sewer rents, and recovery of demolition costs associated with the flood recovery.

Home and community expenses increased as a result of nearly \$400,000 in costs associated with buyouts of properties in connection with the flood recovery. Other program areas generally declined based on greater budget control and more careful spending.

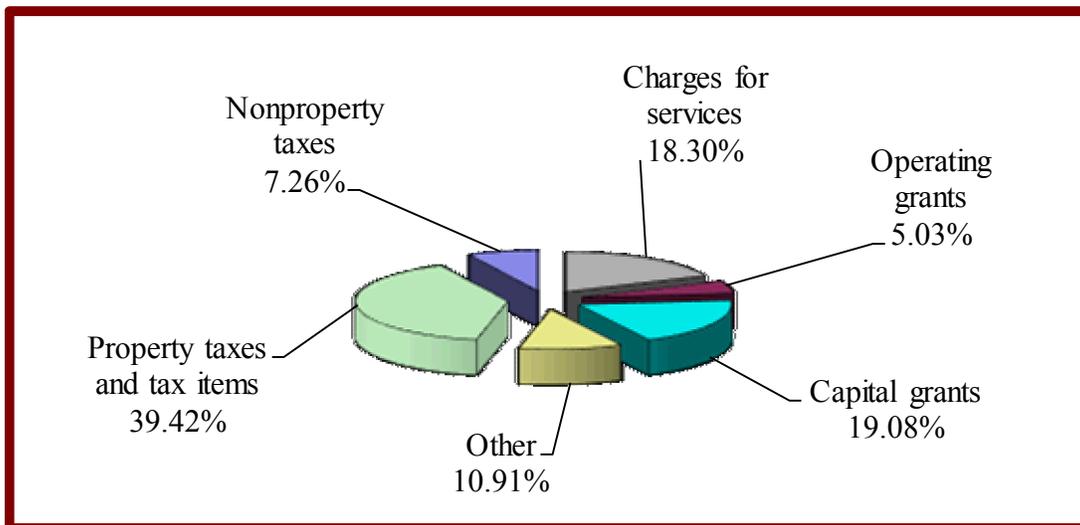
# VILLAGE OF OWEGO

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JULY 31, 2014

*Figure 3  
Revenue by Source - 2014*



*Figure 4  
Revenue by Source - 2013*



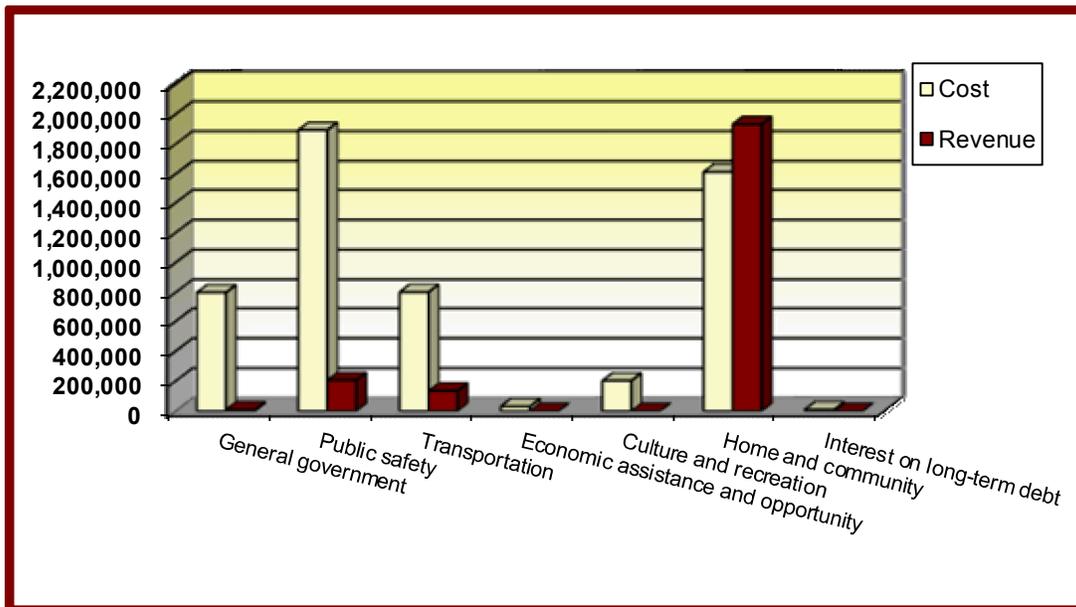
# VILLAGE OF OWEGO

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JULY 31, 2014

The cost of all Governmental Activities this year was \$5,358,099. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through Village property taxes and payments in lieu of taxes was \$3,071,735, because some of the cost was paid by those who directly benefited from the programs: \$1,395,419, or by other government and organizations that subsidized certain programs with grants and contributions of \$890,945. The Village paid for the remaining "public benefit" portion of Governmental Activities with \$3,068,990 in taxes and other revenues, such as interest and general entitlements.

The total cost less revenues generated by activities, or the net cost, for each of the Village's largest programs is presented below. The difference between cost and revenue shows the relative financial burden that was placed on the Village's taxpayers by each of these functions.

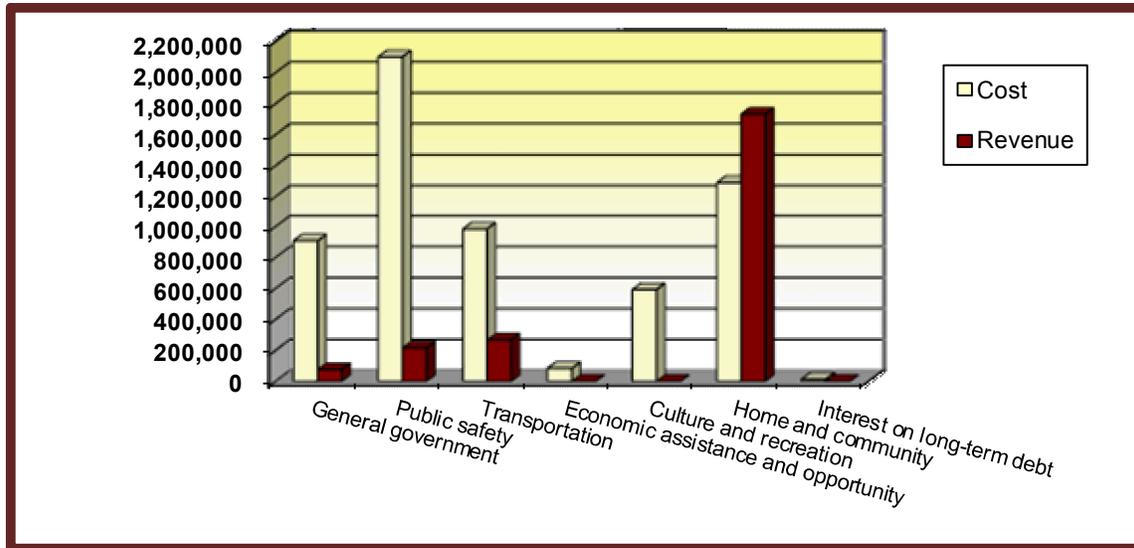
*Figure 5*  
*Net Program Cost*  
*Governmental Activities - 2014*



# VILLAGE OF OWEGO

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JULY 31, 2014

**Figure 6**  
**Net Program Cost**  
**Governmental Activities - 2013**



### FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Figure 7 shows the changes in fund balances for the year for the Village's funds. As the Village completed the year, its Governmental Funds, as presented in the Balance Sheet, reported a combined fund balance of \$1,614,786.

**Figure 7 - Governmental Funds**  
**Fund Balances at Year Ending**

<b>Governmental Fund Balances</b>	<b>2013</b>	<b>2014</b>	<b>Dollar Change</b>
			<b>2013 - 2014</b>
<i>General Fund</i>	\$ 436,988	\$ 688,991	\$ 252,003
<i>Capital Projects Fund</i>	(208,067)	(578,210)	(370,143)
<i>Sewer Fund</i>	656,288	1,058,225	401,937
<i>Special Grant Fund</i>	46,977	86,735	39,758
<i>Permanent Fund</i>	308,772	317,503	8,731
<i>Non-Major Funds</i>	37,786	41,542	3,756
<b>Totals</b>	<b>\$ 1,278,744</b>	<b>\$ 1,614,786</b>	<b>\$ 336,042</b>

# ***VILLAGE OF OWEGO***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JULY 31, 2014**

### **General Fund Budgetary Highlights**

Over the course of the year, the Village Board as well as the management of the Village revised the Village budget several times. These budget amendments consist of (1) budget transfers between functions, which do not increase the overall budget, and (2) budget revisions, which increased estimated appropriations.

Actual charges to appropriations (expenditures) and the resources available for use were both above final budget amounts, due to flood recovery costs and related reimbursements that were not fully budgeted. Unbudgeted flood recovery costs were almost fully charged to the general government function.

Figure 8 summarizes the original and final budgets, the actual expenditures (including encumbrances), and variances for the General Fund for the year ending July 31, 2014.

***Figure 8***

<i><b>Condensed Budgetary Comparison General Fund - 2014</b></i>	<i><b>Original Budget</b></i>	<i><b>Revised Budget</b></i>	<i><b>Actual w/ Encumbrances</b></i>	<i><b>Total Dollar Variance</b></i>
<i><b>REVENUES</b></i>				
<i>Real property taxes and tax items</i>	\$ 2,107,610	\$ 2,107,610	\$ 2,119,367	\$ 11,757
<i>Nonproperty taxes</i>	390,000	390,000	391,073	1,073
<i>State sources</i>	179,365	179,365	241,884	62,519
<i>Federal sources</i>	120,000	507,411	563,737	56,326
<i>All other</i>	463,938	463,938	616,017	152,079
<i><b>Total Revenues</b></i>	<b>\$ 3,260,913</b>	<b>\$ 3,648,324</b>	<b>\$ 3,932,078</b>	<b>\$ 283,754</b>
<i><b>EXPENDITURES</b></i>				
<i>General support</i>	486,739	486,744	508,745	(22,001)
<i>Public safety</i>	1,018,070	1,018,070	1,076,864	(58,794)
<i>Transportation</i>	614,342	638,617	608,047	30,570
<i>Economic assistance and opportunity</i>		-	31,308	(31,308)
<i>Culture and recreation</i>	94,327	139,422	111,305	28,117
<i>Home and community services</i>	79,094	472,928	466,926	6,002
<i>Employee benefits</i>	861,045	861,045	896,343	(35,298)
<i>Debt service</i>	152,296	152,296	152,295	1
<i><b>Total Expenditures</b></i>	<b>\$ 3,305,913</b>	<b>\$ 3,769,122</b>	<b>\$ 3,851,833</b>	<b>\$ (82,711)</b>
<i><b>INTERFUND TRANSFERS</b></i>				
<i>Interfund transfers in</i>	-	-	15,000	15,000
<i>Interfund transfers (out)</i>	(15,000)	(15,000)	(15,000)	-
<i><b>Net Interfund Transfers</b></i>	<b>\$ (15,000)</b>	<b>\$ (15,000)</b>	<b>\$ -</b>	<b>\$ 15,000</b>

# ***VILLAGE OF OWEGO***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JULY 31, 2014**

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At July 31, 2014, the Village had \$7,384,123, net of accumulated depreciation, invested in a broad range of capital assets, including buildings, machinery and equipment. The amounts presented in Figure 10 represent a net decrease (including additions and deductions) of \$365,800 over last year. In accordance with GASB Statement No. 34, all capital assets have been recorded.

***Figure 9  
Capital Assets, at Historical Cost, Net of Accumulated Depreciation***

	<i><b>Governmental Activities</b></i>		<i><b>Percent Change</b></i>
	<i><b>2013</b></i>	<i><b>2014</b></i>	<i><b>2013 - 2014</b></i>
<i>Land and CIP</i>	\$ 739,179	\$ 1,109,464	50.09%
<i>Buildings and improvements, net</i>	2,706,969	2,538,002	(6.24%)
<i>Equipment, net</i>	1,044,836	835,801	(20.01%)
<i>Infrastructure, net</i>	3,258,939	2,900,856	(10.99%)
<i><b>Totals</b></i>	<i><b>\$ 7,749,923</b></i>	<i><b>\$ 7,384,123</b></i>	<i><b>(4.72%)</b></i>

#### **Debt Administration**

Debt, which consists of bonds, bond anticipation notes, and lease obligations, increased by \$13,330, while compensated absences and other postemployment benefits increased by \$167,078, bringing total debt and long-term liabilities to \$2,187,817 as of July 31, 2014, as shown in Figure 10. Of the amount of bonds outstanding, \$147,839 is subject to the constitutional debt limit and represented 1.90% of the Village's statutory debt limit.

***Figure 10 - Major Outstanding Debt at Year Ending***

	<i><b>2013</b></i>	<i><b>2014</b></i>	<i><b>Variance</b></i>
<i>Serial bonds</i>	\$ 851,000	\$ 650,000	\$ (201,000)
<i>Bond Anticipation Notes</i>	251,215	474,890	223,675
<i>Lease obligations</i>	73,844	37,839	(36,005)
<i>Compensated absences</i>	249,436	259,126	9,690
<i>Other postemployment benefits</i>	608,574	765,962	157,388
<i><b>Totals</b></i>	<i><b>\$ 2,034,069</b></i>	<i><b>\$ 2,187,817</b></i>	<i><b>\$ 153,748</b></i>

# ***VILLAGE OF OWEGO***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JULY 31, 2014**

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

The Village's 2014-2015 budget included a property tax increase of \$31,143, which was 1.5% above the 2013-2014 amount.

As noted previously, the Village continues to recover from significant flooding in September 2011. Most municipal repairs have been made to buildings and infrastructure. There are many properties located in the Village that have not been repaired; a number of these are now delinquent on property taxes. Some of these properties are subject to Federal Emergency Management Agency buyout agreements, which are in process; property assessments on these properties will be nearly eliminated. It is expected that, as parcels are either sold or auctioned, assessed values will decline. It is uncertain what the ultimate effect on property taxes will be.

### **CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about the report or need any additional financial information contact Rodney Marchewka, Clerk-Treasurer, at 178 Main Street, Owego, New York 13827.

# VILLAGE OF OWEGO

## STATEMENT OF NET POSITION JULY 31, 2014

### Governmental Activities

#### ASSETS

##### Current Assets:

Cash and cash equivalents - Unrestricted	\$ 854,289
- Restricted	634,350
Investments	314,423
Other receivables, net	439,880
Loans receivable	11,000
Due from fiduciary funds	254
<b>Total Current Assets</b>	<b>2,254,196</b>

##### Noncurrent Assets:

Loans receivable, net of current portion	73,068
Land and other nondepreciable capital assets	1,109,464
Capital assets, net of accumulated depreciation	6,274,659
<b>Total Noncurrent Assets</b>	<b>7,457,191</b>

##### **Total Assets**

9,711,387

#### LIABILITIES

##### Current Liabilities:

Accounts payable	45,006
Accrued liabilities	32,342
Due to employees' retirement system	76,172
Bond Anticipation Notes payable	474,890
Interest payable	1,950

##### Long-term Liabilities Due Within One Year:

Lease obligations payable	37,839
Bonds payable	155,000
<b>Total Current Liabilities</b>	<b>823,199</b>

##### Noncurrent Liabilities:

Compensated absences	259,126
Bonds payable	495,000
Other postemployment benefits	765,962
<b>Total Noncurrent Liabilities</b>	<b>1,520,088</b>

##### **Total Liabilities**

2,343,287

#### NET POSITION

Invested in capital assets, net of related debt	6,221,394
Restricted	825,053
Unrestricted	321,653

##### **Total Net Position**

\$ 7,368,100

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

# VILLAGE OF OWEGO

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JULY 31, 2014

FUNCTIONS/PROGRAMS	Program Revenues				Primary Government Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
<b>Governmental Activities:</b>					
General governmental support	\$ 800,565	\$ 4,904	\$ 5,157	\$	\$ (790,504)
Public safety	<u>1,894,362</u>	<u>207,095</u>	<u></u>	<u></u>	<u>(1,687,267)</u>
Transportation	<u>803,350</u>	<u>17,004</u>	<u>91,551</u>	<u>26,482</u>	<u>(668,313)</u>
Economic assistance and opportunity	<u>31,308</u>	<u></u>	<u></u>	<u></u>	<u>(31,308)</u>
Culture and recreation	<u>203,813</u>	<u></u>	<u></u>	<u></u>	<u>(203,813)</u>
Home and community services	<u>1,615,267</u>	<u>1,166,416</u>	<u>204,018</u>	<u>563,737</u>	<u>318,904</u>
Interest on long-term debt	<u>9,434</u>	<u></u>	<u></u>	<u></u>	<u>(9,434)</u>
<b>Total</b>	<u>\$ 5,358,099</u>	<u>\$ 1,395,419</u>	<u>\$ 300,726</u>	<u>\$ 590,219</u>	<u>\$ (3,071,735)</u>
<b><u>GENERAL REVENUES</u></b>					
					2,087,055
Real property taxes					<u>32,312</u>
Real property tax items					<u>391,073</u>
Nonproperty tax items					<u>4,820</u>
Use of money and property					<u>8,188</u>
Sale of property and compensation for loss					<u>426,848</u>
Miscellaneous local sources					<u>118,694</u>
State sources					<u></u>
Total General Revenues					<u>3,068,990</u>
Change in Net Position					(2,745)
<b>Net Position - Beginning of Year</b>					<u>7,370,845</u>
<b>Net Position - End of Year</b>					<u><u>\$ 7,368,100</u></u>

See Independent Auditor's Report and Notes to Financial Statements

# VILLAGE OF OWEGO

## BALANCE SHEET GOVERNMENTAL FUNDS JULY 31, 2014

	Major Funds		
	General Fund	Capital Projects Fund	Special Revenue Fund Sewer Fund
<b>ASSETS</b>			
<b>Assets:</b>			
Cash and cash equivalents - Unrestricted	\$ 410,105	\$ 250	\$ 311,249
- Restricted	285,765		338,409
Investments - Unrestricted			
Due from other funds	116,349		
Loans receivable			
Other receivables, net			439,880
<b>Total Assets</b>	<b>\$ 812,219</b>	<b>\$ 250</b>	<b>\$ 1,089,538</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 36,834	\$	\$ 8,172
Accrued liabilities	20,355		3,584
Due to other funds		103,570	8,028
Due to employee retirement systems	66,039		10,133
Other liabilities			1,396
Bond Anticipation Notes payable		474,890	
<b>Total Liabilities</b>	<b>123,228</b>	<b>578,460</b>	<b>31,313</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues			
<b>Fund Balances:</b>			
Nonspendable			
Restricted	285,765		361,639
Assigned	231,758		696,586
Unassigned	171,468	(578,210)	
<b>Total Fund Balances (Deficit)</b>	<b>688,991</b>	<b>(578,210)</b>	<b>1,058,225</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 812,219</b>	<b>\$ 250</b>	<b>\$ 1,089,538</b>

See Independent Auditor's Report and Notes to Financial Statements

<b>Major Funds</b>			
<b>Special Revenue Fund</b>			<b>Total Governmental Funds</b>
<b>Special Grant Fund</b>	<b>Permanent Fund</b>	<b>Non-Major Funds</b>	
\$ 91,232	\$	\$ 41,453	\$ 854,289
	3,330	6,846	634,350
	314,423		314,423
25		250	116,624
84,068			84,068
			439,880
<b>\$ 175,325</b>	<b>\$ 317,753</b>	<b>\$ 48,549</b>	<b>\$ 2,443,634</b>

\$	\$	\$	\$ 45,006
			23,939
4,522	250		116,370
			76,172
		7,007	8,403
			474,890
4,522	250	7,007	744,780
84,068			84,068
	308,772		308,772
86,735		6,846	740,985
	8,731	34,696	971,771
			(406,742)
86,735	317,503	41,542	1,614,786
<b>\$ 175,325</b>	<b>\$ 317,753</b>	<b>\$ 48,549</b>	<b>\$ 2,443,634</b>

# VILLAGE OF OWEGO

## RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JULY 31, 2014

**Total Governmental Fund Balances** **\$ 1,614,786**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, cost	\$ 24,759,160	
Accumulated depreciation	<u>17,375,037</u>	7,384,123

Accrued interest payable reported in the Statement of Net Position does not require the use of current financial resources and, therefore, is not reported as a liability in the Governmental Funds. (1,950)

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds. 84,068

Long-term liabilities, including bonds payable and the long-term portion of compensated absences are not due and payable in the current period and, therefore, are not reported in the funds. (1,712,927)

**Net Assets of Governmental Activities** **\$ 7,368,100**

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

# VILLAGE OF OWEGO

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JULY 31, 2014

	Major Funds		
	General Fund	Capital Projects Fund	Special Revenue Fund Sewer Fund
<b>REVENUES</b>			
Real property taxes	\$ 2,087,055	\$ _____	\$ _____
Real property tax items	32,312	_____	_____
Nonproperty tax items	391,073	_____	_____
Departmental income	182,820	_____	1,003,055
Intergovernmental charges	173,235	_____	159,781
Use of money and property	3,780	136	298
Licenses and permits	18,575	_____	_____
Fines and forfeitures	33,860	_____	_____
Sale of property and compensation for loss	8,188	_____	_____
Miscellaneous local sources	195,559	_____	63,408
State sources	241,884	_____	_____
Federal sources	563,737	_____	_____
<b>Total Revenues</b>	3,932,078	136	1,226,542
<b>EXPENDITURES</b>			
General governmental support	504,322	_____	18,820
Public safety	1,076,864	_____	_____
Transportation	447,400	_____	_____
Economic assistance and opportunity	31,308	_____	_____
Culture and recreation	111,040	_____	_____
Home and community services	460,503	_____	603,002
Employee benefits	896,343	_____	157,783
Debt Service:			
Principal	141,005	_____	45,000
Interest	11,290	_____	_____
Capital outlay	_____	370,279	_____
<b>Total Expenditures</b>	3,680,075	370,279	824,605
<b>Excess of Revenues (Expenditures)</b>	252,003	(370,143)	401,937
<b>OTHER FINANCING SOURCES (USES)</b>			
Interfund transfers in	15,000	_____	_____
Interfund transfers (out)	(15,000)	_____	_____
Total Other Financing Sources (Uses)	-	-	-
Excess of Revenues and Other Financing Sources Over (Expenditures) and Other (Uses)	252,003	(370,143)	401,937
<b>Fund Balances (Deficit), Beginning of Year</b>	436,988	(208,067)	656,288
<b>Fund Balances (Deficit), End of Year</b>	\$ 688,991	\$ (578,210)	\$ 1,058,225

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

<b>Major Funds</b>			
<b>Special Revenue Fund Special Grant Fund</b>	<b>Permanent Fund</b>	<b>Non-Major Funds</b>	<b>Total Governmental Funds</b>
\$ _____	\$ _____	\$ _____	\$ 2,087,055
_____	_____	_____	32,312
_____	_____	_____	391,073
_____	_____	3,730	1,189,605
_____	_____	_____	333,016
(51)	631	26	4,820
_____	_____	_____	18,575
_____	_____	_____	33,860
_____	_____	_____	8,188
_____	8,100	_____	267,067
_____	_____	_____	241,884
204,018	_____	_____	767,755
203,967	8,731	3,756	5,375,210
_____	_____	_____	523,142
_____	_____	_____	1,076,864
_____	_____	_____	447,400
_____	_____	_____	31,308
_____	_____	_____	111,040
164,209	_____	_____	1,227,714
_____	_____	_____	1,054,126
_____	_____	_____	186,005
_____	_____	_____	11,290
_____	_____	_____	370,279
164,209	-	-	5,039,168
39,758	8,731	3,756	336,042
_____	_____	_____	15,000
_____	_____	_____	(15,000)
-	-	-	-
39,758	8,731	3,756	336,042
46,977	308,772	37,786	1,278,744
<b>\$ 86,735</b>	<b>\$ 317,503</b>	<b>\$ 41,542</b>	<b>\$ 1,614,786</b>

# VILLAGE OF OWEGO

## RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JULY 31, 2014

Net Change in Fund Balances - Total Governmental Funds \$ 336,042

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report purchases of capital assets as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$ 491,724	
Depreciation	<u>(857,524)</u>	(365,800)

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Repayment of obligations	186,005
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This is the change in deferred revenue from the prior year.

6,230
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental Funds.

Net change in accrued interest payable	\$ 1,856	
Net change in compensated absences	(9,690)	
Net change in other postemployment benefits	<u>(157,388)</u>	<u>(165,222)</u>

<b>Change in Net Position of Governmental Activities</b>	<b>\$ <u>(2,745)</u></b>
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*See Independent Auditor's Report and Notes to Financial Statements*

# VILLAGE OF OWEGO

## STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JULY 31, 2014

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents - Unrestricted	\$ <u>8,205</u>
<b>Total Assets</b>	<b>\$ <u><u>8,205</u></u></b>
<b>LIABILITIES</b>	
Due to governmental funds	\$ <u>254</u>
Agency liabilities	<u>7,951</u>
<b>Total Liabilities</b>	<b>\$ <u><u>8,205</u></u></b>

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

# ***VILLAGE OF OWEGO***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2014**

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

The financial statements of the Village of Owego (the Village) have been prepared in conformity with accounting principles generally accepted in the United States of America. The more significant of the Village's accounting policies are described below.

#### **Financial Reporting Entity**

The Village was established in 1851 and is governed by a special charter, Chapter III of the Laws of 1851; Village Law; various local laws; and other municipal laws of the State of New York. The Mayor and six trustees are the legislative body responsible for overall operation; the Mayor serves as chief executive officer and the Clerk-Treasurer serves as chief fiscal officer.

The following basic services are provided: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, water, sewer and general administration.

All Governmental Activities and functions performed for the Village are its direct responsibility.

The financial reporting entity consists of the following, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus."

- The primary government, which is the Village of Owego,
- Organizations for which the primary government is financially accountable, and;
- Other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete as set forth in GASB No. 14 as amended by GASB No. 39 and GASB No. 61.

The decision to include a potential component unit in the Village's reporting entity is based on several criteria set forth in GASB Statement No. 14 as amended by GASB No. 39 and GASB No. 61, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, no component units have been included in the Village's reporting entity.

# ***VILLAGE OF OWEGO***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2014**

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

#### **Governmental Fund Financial Statements**

The financial transactions of the Village are reported in individual funds in the Governmental Fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures or expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

The Village records its transactions in the funds described below:

#### **Governmental Funds**

Governmental Funds are those through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources, and the related liabilities are accounted for through Governmental Funds. The measurement focus of the Governmental Funds is based upon determination of financial position and changes in financial position under the modified accrual basis of accounting. The following are the Village's Governmental Funds:

#### **Major Funds**

- General Fund - Principal operating fund which includes all operations not required to be recorded in other funds.
  
- Capital Projects Fund - Accounts for and reports financial resources to be used for the acquisition, construction, or renovation of the Village's major capital facilities or equipment.
  
- **Special Revenue Funds**
  - 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.
  
  - Special Grant Fund - Used to account for the Village's Community Development Block Grant program, the expenditures for which are legally restricted for purposes specified in the grant agreements.
  
  - Permanent Fund - Established to account for the Village Cemetery trusts. Permanent Fund assets are not available to be spent.

# ***VILLAGE OF OWEGO***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2014**

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

#### **Non-Major Funds**

- Miscellaneous Special Revenue Fund - Used to account for spendable cemetery assets and activity.
- Debt Service Fund - Used to account for the accumulation of resources to repay debt and account for repayment of said debt.

#### **Fiduciary Funds**

Fiduciary Funds account for assets held by the local government in a trustee or custodial capacity. The following is the Village's Fiduciary Fund type:

- Agency Funds - Account for money and/or property received and held in the capacity of trustee, or custodian or agent.

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

Basis of accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

#### **Modified Accrual Basis**

The Governmental Fund financial statements are prepared using the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues that are accrued include real property taxes, state and federal aid, sales tax, and certain user charges. The Village considers property tax receivables collected within 60 days after year end to be available and recognizes them as revenues of the current year. All other revenues that are deemed collectible within one year after year end are recognized as revenues in the current year. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

Expenditures are recorded when incurred. The cost of capital assets is recognized as an expenditure when the asset is received. Exceptions to this general rule are 1) principal and interest on indebtedness are not recognized as an expenditure until due, and 2) compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid.

# VILLAGE OF OWEGO

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2014

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

#### **Property Taxes**

Real property taxes are levied annually by the Village no later than August 1, and become a lien on August 1. Taxes are collected during the period August 1 to November 15.

Uncollected real property taxes are subsequently enforced by the County of Tioga in which the Village is located. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the Village no later than the forthcoming April 1.

#### **Receivables**

Receivables are recorded without allowances for uncollectible amounts, as all material receivables are expected to be received. Amounts due from state and federal governments represent amounts owed to the Village to reimburse it for expenditures incurred pursuant to state and federally funded programs.

#### **Capital Assets**

All capital assets are valued at historical cost or estimated historical cost. The reported value of the Village's infrastructure has been estimated based on estimates of acquisition dates and costs. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets. Governmental capital assets having a useful life of greater than one year are capitalized.

The estimated useful lives for governmental capital assets are as follows:

Buildings	40 years
Machinery and equipment	3-20 years
Infrastructure	10-40 years

#### **Insurance and Risk Management**

The Village maintains insurance coverage for most risk including, but not limited to, property damage and personal injury 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 OWEGO***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2014**

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

#### **Vacation, Sick Leave, and Compensated Absences**

The Village employees are granted vacation leave based upon contractual obligations. The accrual rate increases with years of service up to a maximum of 26 days per year. Employees can accumulate up to 40 days of unused vacation. Accrued vacation is paid to employees upon termination of employment.

The Village employees accumulate sick leave based on contractual obligations with a maximum accrual of 200 days (187 days for certain union groups). Employees are paid between 50% and 100% of the value of their accumulated sick leave, based on their particular contract.

Accumulated vacation and sick leave is accrued and reported in the Statement of Net Position. A liability for these amounts is only recorded in the governmental funds if they have matured as a result of employee resignations or retirements.

#### **Other Postemployment Benefits**

In addition to providing pension benefits, the Village provides partial health insurance coverage and survivor benefits for eligible retired employees and their survivors. Substantially all of the Village's employees may become eligible for these benefits if they reach normal retirement age while working for the Village. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Village recognizes the cost of providing benefits by recording its share of insurance premiums as expenditures in the year paid in the fund financial statements; in the Government-wide financial statements, the cost of providing benefits is determined by an actuarial analysis.

#### **Government-wide Financial Statements**

Equity is classified as net position and displayed in three components:

- Invested in Capital Assets, Net of Related Debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - Consists of resources with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

# ***VILLAGE OF OWEGO***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2014**

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

- Unrestricted Net Position - Consists of all other resources that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

#### **Governmental Fund Financial Statements**

The Village accounts for fund balance in accordance with GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This statement reports the terminology and classification of fund balance to reflect spending constraints on resources, rather than availability for appropriation. This approach is intended to provide users more consistent and understandable information about a fund’s net resources.

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- **Nonspendable**  
Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.
- **Restricted**  
Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the Village’s legally adopted reserves are reported here.
- **Committed**  
Consists of amounts subject to a purpose constraint imposed by formal action of the government’s highest level of decision-making authority 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.

# ***VILLAGE OF OWEGO***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2014**

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

In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

- **Unassigned**

Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

The Village has not adopted any resolutions to commit fund balance. The Village's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and then unassigned fund balance.

#### **Interfund Activity**

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

### ***Note 2* Cash and Investments**

#### **Cash**

The Village's investment policies are governed by state statutes. The Village's monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Village 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.

Collateral (security) is required for demand and time deposits and certificates of deposit at 105% of all deposits not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

# VILLAGE OF OWEGO

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2014

**Note 2 Cash and Investments - Continued**

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. While the Village does not have a specific policy for custodial credit risk, New York State statutes govern the Village's investment policies, as discussed previously in these notes. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village's aggregate bank balances of \$1,934,530 are either insured or collateralized with securities held by the pledging financial institution in the Village's name.

**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:

Description	Fund Type	Category	Amount
	Permanent		
Certificate of Deposit	Fund	(1)	\$ <u><u>314,423</u></u>

**Note 3 Interfund Balances and Activity**

Interfund balances at July 31, 2014, are as follows:

	Interfund Revenues	Interfund Expenditures	Interfund Assets	Interfund Liabilities
General Fund	\$ 15,000	\$ 15,000	\$ 116,349	
Capital Projects Fund				103,570
Sewer Fund				8,028
Special Grant Fund			25	4,522
Permanent Fund				250
Non-major Funds			250	
Agency Fund				254
<b>Total</b>	<b>\$ <u><u>15,000</u></u></b>	<b>\$ <u><u>15,000</u></u></b>	<b>\$ <u><u>116,624</u></u></b>	<b>\$ <u><u>116,624</u></u></b>

The Village typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

# VILLAGE OF OWEGO

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2014

**Note 4 Capital Assets**

A summary of changes in capital assets at July 31, 2014 follows:

<u>Governmental Activities</u>	<u>Balance at 7/31/13</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Balance at 7/31/14</u>
Non-depreciable Capital Assets:				
Land	\$ 530,998	\$	\$	\$ 530,998
Construction in progress	208,181	370,285		578,466
Total Non-depreciable Capital Assets	739,179	370,285	-	1,109,464
Depreciable Capital Assets:				
Buildings	\$ 7,546,958	\$	\$	\$ 7,546,958
Machinery and equipment	4,140,582	117,399		4,257,981
Infrastructure	11,840,717	4,040		11,844,757
Total Depreciable Capital Assets	23,528,257	121,439	-	23,649,696
Total Historical Cost	24,267,436	491,724	-	24,759,160
Less Accumulated Depreciation:				
Buildings	4,839,989	168,967		5,008,956
Machinery and equipment	3,095,746	326,434		3,422,180
Infrastructure	8,581,778	362,123		8,943,901
Total Accumulated Depreciation	16,517,513	857,524	-	17,375,037
Capital Assets, Net	\$ 7,749,923	\$ (365,800)	\$ -	\$ 7,384,123

Depreciation expense was charged to functions as follows:

**Governmental Activities**

General governmental support	\$ 4,592
Public safety	238,316
Transportation	231,026
Culture and recreation	14,412
Home and community services	369,178
<b>Total Governmental Activities Depreciation Expense</b>	<b>\$ 857,524</b>

# VILLAGE OF OWEGO

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2014

### *Note 5*    **Liabilities**

#### **Pension Plans**

##### **Plan Description**

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

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

##### **Funding Policy**

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. Employees in the System more than ten years are no longer required to contribute. 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>
2014	\$ 159,700	\$ 113,955
2013	128,183	113,825
2012	117,670	95,803

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

# VILLAGE OF OWEGO

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2014

### Note 6 Short-term Debt

#### Bond Anticipation Notes

Liabilities for Bond Anticipation Notes (BANs) are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually.

State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

The Village received a loan from the Environmental Facilities Corporation (EFC) for a sewer system improvement project. Funds are advanced on a short-term basis; when the project is completed the loan will be converted to long-term debt.

Bond Anticipation Notes outstanding at July 31, 2014 are as follows:

	Balance			Balance		Due
	at	Issued	Paid	at	Within	
	7/31/13			7/31/14	One Year	
EFC Bond Anticipation Note	\$ 251,215	\$ 223,675	\$ -	\$ 474,890	\$ 474,890	

### Note 7 Long-term Debt and Liabilities

#### Constitutional Debt Limit

At July 31, 2014, the total outstanding indebtedness of the Village aggregated \$1,162,729. Of the amount of bonds outstanding, \$147,839 is subject to the constitutional debt limit and represented 1.90% of the Village's statutory debt limit.

#### Serial Bonds

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 Statement of Net Position.

# *VILLAGE OF OWEGO*

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2014

**Note 7 Long-term Debt and Liabilities - Continued**

**Other Long-term Liabilities**

In addition to the above long-term debt, the Village had the following noncurrent liabilities:

- Compensated Absences - Represents the unfunded value of the liability for compensated absences. These liabilities are generally liquidated in the same fund as the payroll of the applicable employees.
- Other Postemployment Benefits - See Note 8.

**Summary of Long-term Debt**

The following is a summary of long-term liabilities outstanding at July 31, 2014:

<u>Payable from/ Description</u>	<u>Original Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Outstanding Balance</u>
General Fund:					
Bonds Payable:					
Rescue Truck	06/10	\$ 504,470	3.5%	06/15	\$ 110,000
Lease Obligation Payable	10/08	240,990	5.099%	10/14	37,839
Sewer Fund:					
Bonds Payable:					
Sewer Improvement	03/08	810,000	0.0%	03/26	<u>540,000</u>
<b>Total Bonds and Lease Obligations Payable</b>					<b>\$ <u>687,839</u></b>

In September 2011, the Village suffered significant flooding. The New York State Environmental Facilities Corporation established the Hurricane Emergency Loan Program (HELP). In December 2011, the Village signed an agreement to accept up to \$500,000 in interest free HELP loans. The Village borrowed \$307,565 of the \$500,000 authorized, and repaid \$256,565 in December 2012. The remaining \$51,000 was paid during the current fiscal year.

# VILLAGE OF OWEGO

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2014

**Note 7 Long-term Debt and Liabilities - Continued**

**Changes in Debt and Long-term Liabilities**

Debt activity for the year ended July 31, 2014 is as follows:

	<b>Balance at 7/31/13</b>	<b>Issued</b>	<b>Paid</b>	<b>Balance at 7/31/14</b>	<b>Due Within One Year</b>
Serial bonds	\$ 851,000	\$	\$ 201,000	\$ 650,000	\$ 155,000
Lease obligations	73,844		36,005	37,839	37,839
Compensated absences	249,436	9,690		259,126	
Other postemployment benefits	608,574	157,388		765,962	
<b>Totals</b>	<b><u>\$ 1,782,854</u></b>	<b><u>\$ 167,078</u></b>	<b><u>\$ 237,005</u></b>	<b><u>\$ 1,712,927</u></b>	<b><u>\$ 192,839</u></b>

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

**Interest Expenditure/Expense**

Interest expenditure for 2014 was \$11,290. Interest expense reported in the Statement of Activities was \$9,434, due to the change in accrued interest.

**Summary of Debt Maturity**

The following is a summary of maturity of indebtedness:

<b>Fiscal Year</b>	<b>Serial Bonds</b>		<b>Lease Obligations</b>		<b>Total</b>	<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2015	\$ 155,000	\$ 3,850	\$ 37,839	\$ 1,929	\$ 192,839	\$ 5,779
2016	45,000				45,000	
2017	45,000				45,000	
2018	45,000				45,000	
2019	45,000				45,000	
2020-2024	225,000				225,000	
2025-2026	90,000				90,000	
<b>Total</b>	<b><u>\$ 650,000</u></b>	<b><u>\$ 3,850</u></b>	<b><u>\$ 37,839</u></b>	<b><u>\$ 1,929</u></b>	<b><u>\$ 687,839</u></b>	<b><u>\$ 5,779</u></b>

# ***VILLAGE OF OWEGO***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2014**

### ***Note 8* Other Postemployment Benefits**

#### **Postemployment Benefits Other than Pensions**

In 2011, the Village adopted GASB Statement No. 45 “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.” In the past, the Village reported the cost of its retiree health care postretirement benefits on a “pay-as-you-go” basis. An actuarial valuation of Village Postretirement Health Care Benefits Program (Plan) was performed as of August 1, 2010 for the fiscal years ending July 31, 2014, 2013, 2012 and 2011; because the Village did not perform a calculation for the year ended July 31, 2010, the July 31, 2011 calculation was recorded for the years ended July 31, 2010 and 2011.

#### **Plan Description**

The Plan is a single-employer, defined benefit healthcare plan administered by the Village. The Plan provides medical and dental benefits to eligible retirees and their spouses. Benefit provisions are established through negotiations between the Village and bargaining units and are renegotiated each three-year period. The Plan does not issue a stand-alone financial report, as there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The contribution requirements of Plan members and the Village are established and may be amended pursuant to applicable collective bargaining and employment agreements. The required contribution is based on projected pay-as-you-go financing requirements and varies depending on the applicable agreement.

For the year ended July 31, 2014, the Village’s governmental activities contributed to the Plan for 9 retirees. Plan members receiving benefits may be required to contribute to the Plan depending on their collective bargaining unit. The costs of administering the Plan are paid by the Village.

The Village’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 30 years.

# *VILLAGE OF OWEGO*

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2014

**Note 8 Other Postemployment Benefits - Continued**

**Plan Description - Continued**

The following table shows the components of the Village's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Village's net OPEB obligation to the Village's Plan:

Normal cost	\$	96,673
Amortization of unfunded actuarial accrued liability (UAAL)		185,119
Total Annual Required Contribution		281,792
Interest on Net OPEB Obligation		12,171
Adjustment to Annual Required Contribution		(17,559)
Annual OPEB Cost (Expense)		276,404
Expected contributions on behalf of 15 retirees		(119,016)
Increase in Net OPEB Obligation		157,388
<b>Net OPEB Obligation - August 1, 2013</b>		<b>608,574</b>
<b>Net OPEB Obligation - July 31, 2014</b>	<b>\$</b>	<b>765,962</b>

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
07/31/2014	\$ 276,404	43.1%	\$ 765,962
07/31/2013	266,158	41.9%	608,574
07/31/2012	266,158	41.9%	453,962

Funded Status and Funding Progress - As of July 31, 2014, the Plan was not funded. The actuarial accrued liability for benefits was \$3,084,642; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,368,870; and the ratio of the UAAL to the covered payroll for the governmental and business-type activities was 225.3%.

# ***VILLAGE OF OWEGO***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2014**

### ***Note 8* Other Postemployment Benefits - Continued**

#### **Plan Description - Continued**

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding funded status of the Plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the August 1, 2010 actuarial valuation, the most recent actuarial valuation date, the projected unit credit method was used. Under this method, each participant's projected benefit is calculated at all possible ages based on the Plan provisions as well as the initial data and actuarial assumptions. The actuarial assumptions included an annual discount rate of 4.0%. Additional actuarial assumptions included an annual medical cost trend rate ranging from 7.0% in 2012 to 4.2% in 2081 and thereafter, with an inflation rate of 2.9%.

### ***Note 9* Commitments and Contingencies**

#### **Risk Financing and Related Insurance**

The Village is exposed to various risks of loss related to, but not limited to, torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

# ***VILLAGE OF OWEGO***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2014**

### ***Note 10* Significant Events**

#### **Flood Damage**

In September 2011, major flooding of the Susquehanna River and Owego Creek caused significant damage to the Village; over 1,000 properties were affected by flooding. The federal and state governments issued official disaster declarations, and agreed to fund a significant portion of resulting expenditures of the Village and its residents. During the year ended July 31, 2014, the Village began receiving funds to purchase properties destroyed by flooding. This process will continue in the future.

# VILLAGE OF OWEGO

## BUDGETARY COMPARISON SCHEDULE GENERAL FUND - NON-GAAP BUDGET BASIS FOR THE YEAR ENDED JULY 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Including Encumbrances</u>	<u>Variance</u>
<b>REVENUES</b>				
Real property taxes	\$ 2,087,610	\$ 2,087,610	\$ 2,087,055	\$ (555)
Real property tax items	20,000	20,000	32,312	12,312
Nonproperty tax items	390,000	390,000	391,073	1,073
Departmental income	3,300	3,300	182,820	179,520
Intergovernmental charges	166,538	166,538	173,235	6,697
Use of money and property	2,000	2,000	3,780	1,780
Licenses and permits	13,100	13,100	18,575	5,475
Fines and forfeitures	60,000	60,000	33,860	(26,140)
Sale of property and compensation for loss	14,000	14,000	8,188	(5,812)
Miscellaneous local sources	205,000	205,000	195,559	(9,441)
State sources	179,365	179,365	241,884	62,519
Federal sources	120,000	507,411	563,737	56,326
<b>Total Revenues</b>	<u>3,260,913</u>	<u>3,648,324</u>	<u>3,932,078</u>	<u>283,754</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General governmental support	486,739	486,744	508,745	(22,001)
Public safety	1,018,070	1,018,070	1,076,864	(58,794)
Transportation	614,342	638,617	608,047	30,570
Economic assistance and opportunity			31,308	(31,308)
Culture and recreation	94,327	139,422	111,305	28,117
Home and community services	79,094	472,928	466,926	6,002
Employee benefits	861,045	861,045	896,343	(35,298)
Debt service (principal and interest)	152,296	152,296	152,295	1
<b>Total Expenditures</b>	<u>3,305,913</u>	<u>3,769,122</u>	<u>3,851,833</u>	<u>(82,711)</u>
<b>Excess of Revenues (Expenditures)</b>	<u>(45,000)</u>	<u>(120,798)</u>	<u>80,245</u>	<u>201,043</u>
<b>OTHER FINANCING (USES) SOURCES</b>				
Interfund transfers in			15,000	15,000
Interfund transfers (out)	(15,000)	(15,000)	(15,000)	
<b>Total Other Financing (Uses) Sources</b>	<u>(15,000)</u>	<u>(15,000)</u>		<u>15,000</u>
Excess of (Expenditures) and Other (Uses) over Revenues and Other Financing Sources	<u>(60,000)</u>	<u>(135,798)</u>	<u>80,245</u>	<u>\$ 216,043</u>
Appropriated Fund Balance	<u>60,000</u>	<u>135,798</u>		
Add encumbrances			<u>171,758</u>	
Net Increase	<u>\$ -</u>	<u>\$ -</u>	<u>252,003</u>	
<b>Fund Balance, Beginning of Year</b>			<u>436,988</u>	
<b>Fund Balance, End of Year</b>			<u>\$ 688,991</u>	

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

# VILLAGE OF OWEGO

## BUDGETARY COMPARISON SCHEDULE SEWER FUND - NON-GAAP BUDGET BASIS FOR THE YEAR ENDED JULY 31, 2014

	Original Budget	Final Budget	Actual	Variance
<b><u>REVENUES</u></b>				
Departmental income	\$ 929,539	\$ 929,539	\$ 1,003,055	\$ 73,516
Intergovernmental charges	135,000	135,000	159,781	24,781
Use of money and property	300	300	298	(2)
Miscellaneous local sources	1,500	1,500	63,408	61,908
<b>Total Revenues</b>	<b>1,066,339</b>	<b>1,066,339</b>	<b>1,226,542</b>	<b>160,203</b>
<b><u>EXPENDITURES</u></b>				
Current:				
General governmental support	61,500	61,500	18,820	42,680
Home and community services	613,900	629,401	603,002	26,399
Employee benefits	169,492	169,492	157,783	11,709
Debt service (principal and interest)	221,447	221,447	45,000	176,447
<b>Total Expenditures</b>	<b>1,066,339</b>	<b>1,081,840</b>	<b>824,605</b>	<b>257,235</b>
Excess of Revenues	-	(15,501)	401,937	\$ 417,438
Appropriated Fund Balance		15,501	-	
Net Increase	\$ -	\$ -	401,937	
<b>Fund Balance, Beginning of Year</b>			<b>656,288</b>	
<b>Fund Balance, End of Year</b>			<b>\$ 1,058,225</b>	

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

# VILLAGE OF OWEGO

## SCHEDULE OF FUNDING PROGRESS FOR THE YEAR ENDED JULY 31, 2013

<u>Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/31/2014	8/1/2010	\$ -	\$ 3,084,642	\$ 3,084,642	0.0%	\$ 1,368,870	225.3%
7/31/2013	8/1/2010	-	3,084,642	3,084,642	0.0%	1,083,256	284.8%
7/31/2012	8/1/2010	-	2,983,878	2,983,878	0.0%	1,292,923	230.8%
7/31/2011	8/1/2010	-	2,885,654	2,885,654	0.0%	1,459,783	197.7%
7/31/2010	8/1/2010	-	2,885,654	2,885,654	0.0%	1,450,000	199.0%

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

# VILLAGE OF OWEGO

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JULY 31, 2014

**Note 1 Budget Basis of Accounting**

Except as indicated below, budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. Encumbrances are not considered a disbursement in the financial plan or an expenditure in GAAP based financial statements. Encumbrances reserve a portion of the applicable appropriation for purchase orders, contracts, and other commitments not expended at year end, thereby ensuring that appropriations are not exceeded.

**Note 2 Budget Policies: Budgetary Procedures and Budgetary Accounting**

The Village Clerk-Treasurer submits a tentative budget to the Village Board of Trustees for approval. The Village Board reviews and approves a tentative budget no later than May 15. The tentative budget includes *proposed expenditures and the proposed means of financing for all funds*. A public hearing is held to receive comments from the residents. The final budget is adopted and the Village's tax rate is set no later than June 30. All modifications of the budget must be approved by the governing board; however, the Treasurer is authorized to transfer certain budgeted amounts within departments. All appropriations lapse at year end.

Budgets are adopted annually on a basis consistent with generally accepted accounting principles for the General and Sewer Funds. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. Encumbrances are not considered a disbursement in the financial plan or expenditure in the GAAP based basic financial statements, but reserve a portion of the applicable appropriation, thereby ensuring that the appropriations are not exceeded.

**Note 3 Schedule of Funding Progress**

The Schedule of Funding Progress, presented as required supplementary information presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**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 Owego  
Owego, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Owego, as of and for the year ended July 31, 2014, and the related notes to the financial statements, which collectively comprise the Village of Owego's basic financial statements, and have issued our report thereon dated September 19, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Village of Owego'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 of Owego's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Owego'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiencies described as 2012-001 and 2012-002 in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

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. We consider the deficiencies described as 2012-003, 2014-001, and 2014-002 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village of Owego's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described as items 2012-004 and 2012-005 in the accompanying Schedule of Findings and Questioned Costs.

### **The Village of Owego's Response to Findings**

The Village of Owego's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Village of Owego's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,



Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
September 19, 2016

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Mayor and Village Trustees  
Village of Owego  
Owego, New York

**Report on Compliance for Each Major Federal Program**

We have audited the Village of Owego's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Village of Owego's major federal programs for the year ended July 31, 2014. The Village of Owego's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Village of Owego's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Owego's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Village of Owego's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Village of Owego, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended July 31, 2014.

## Report on Internal Control over Compliance

Management of the Village of Owego is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Village of Owego's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village of Owego's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,



Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
September 19, 2016

# VILLAGE OF OWEGO

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JULY 31, 2014

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal Catalog No.</u>	<u>Pass-Through Grantor No.</u>	<u>Expenditures</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Passed through NYS Homes & Community Renewal:			
Community Development Block Grant State's Program			
Program Income	14.228	875HR143	\$ 200,237
H.O.M.E.	14.239	20093124	3,781
Subtotal			<u>204,018</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>204,018</u>
Passed Through New York State Emergency Management Office:			
Hazard Mitigation Grant	97.039	4020-0018	387,411
Federal Emergency Management Agency - Disaster Assistance	97.036	NY4031	<u>176,326</u>
Total U.S. Department of Agriculture			<u>563,737</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 767,755</u></u>

*See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards*

# ***VILLAGE OF OWEGO***

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JULY 31, 2014**

***Note 1***     **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial award programs administered by the Village, an entity as defined in Note 1 to the Village's basic financial statements. Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through from other government agencies, is included on the Schedule of Expenditures of Federal Awards.

***Note 2***     **Basis of Accounting**

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable program and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program. These records are periodically reconciled to the general ledger which is the source of the basic financial statements.

***Note 3***     **Indirect Costs**

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source for the data presented.

# VILLAGE OF OWEGO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JULY 31, 2014

### Section I - Summary of Auditor's Results:

#### Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

#### Federal Awards

##### **Internal control over major programs:**

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?  yes  none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  yes  no

##### **Identification of major programs:**

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>97.039</u>	<u>Hazard Mitigation Grant</u>

Dollar threshold used to distinguish between type A and type B programs \$ 300,000

yes  no

# ***VILLAGE OF OWEGO***

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JULY 31, 2014**

### **Section II - Financial Statement Findings:**

#### **2012-001 - Filing of Financial Statements**

##### **Condition/Criteria:**

OMB Circular A-133 requires audited financial statements be completed and submitted to the Federal Audit Clearinghouse within nine months of the end of the fiscal year. The Village's July 31, 2013 financial statements required to be filed by April 30, 2014 were not filed until July 2015.

The July 31, 2014 financial statements required to be filed by April 30, 2015 were not filed until September 2016.

##### **Effect:**

The Village's financial statements are not timely. The Village was unable to access funds awarded to it by New York State Homes and Community Renewal for several months.

##### **Recommendation:**

We recommend the Village improve timeliness of completion of its internal financial records, allowing for audited financial statements to be completed.

##### **Village Response:**

The Village was without a Senior Account Clerk for several months beginning in August 2013. The incoming Account Clerk has not worked in municipal accounting for several years. It has taken time for new staff to correct errors made by previous staff. The Village is working on correcting these issues.

#### **2012-002 - Bank Reconciliations**

##### **Condition:**

The Village's bank accounts for the 2013-2014 fiscal year were not reconciled for several months after the close of the July 31, 2014 year.

##### **Criteria:**

Accounting practices generally require bank reconciliations be performed on a monthly basis, to ensure all transactions affecting cash have been recorded.

##### **Effect:**

Without reconciliations, it is impossible to verify all transactions have been recorded. Upon performing the required reconciliations, significant adjustments were recorded to several general ledger balances.

# ***VILLAGE OF OWEGO***

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JULY 31, 2014**

### **Village Response:**

Reconciliations have been reviewed; we have new guidelines requiring reconciliations to be done in a timely manner to insure all transactions affecting cash are properly recorded.

### **2012-003 - Preparation of Financial Statements**

#### **Condition:**

The preparation and assembly of the Village's financial statements and related footnotes were done by Insero & Co., CPAs, LLP.

#### **Criteria:**

While it is common for the auditor to draft the financial statements for many small organizations, the role of the auditor continues to be expressing an opinion on those financial statements. Auditing standards require us to assess whether the organizations we audit are able to prepare financial statements and footnotes in accordance with generally accepted accounting principles without the assistance of their auditors. It is our opinion that management has not demonstrated the experience to prepare such financial statements.

#### **Effect:**

Without having experience preparing financial statements, the Village cannot be sure its financial statements are being prepared properly, and all necessary adjustments are being recorded.

### **Village Response:**

The Village has hired a former employee with 20 years of bookkeeping experience, who also has experience preparing the financial statements. With the assistance of the Clerk-Treasurer and by using the KVS bookkeeping system, monthly bank reconciliations, and comparing reconciliations to the financial statements, we feel the financial statements will be prepared properly.

### **2012-004 - Filing of Annual Update Document (AUD)**

#### **Condition/Criteria:**

The New York State Office of the State Comptroller (NYSOSC) requires local municipalities file an AUD within 60 days of the close of the fiscal year. The Village's AUD was not completed timely for the years ended July 31, 2013 and July 31, 2014.

#### **Effect:**

NYSOSC performs analysis on the AUD's submitted to determine if local governments are exhibiting fiscal stress, and also to ensure local governments are accounting for transactions properly. Without timely filing, NYSOSC is unable to perform this analysis.

# VILLAGE OF OWEGO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JULY 31, 2014

### Village Response:

The Bookkeeper, Clerk-Treasurer, and auditor are working on the 2014 AUD. After final review, it will be submitted for approval.

### 2012-005 - Overexpenditures

#### Condition/Criteria:

New York State regulations require local governments expend funds only if they are budgeted. While the Village has the ability to modify its approved budget to cover unexpected costs, these modifications did not take place in all circumstances.

Overexpended line items were as follows:

	<u>Final Budget</u>	<u>Actual, with Encumbrances</u>	<u>Variance</u>
General Fund:			
General Governmental			
Support	\$ 486,744	\$ 504,322	\$ (17,578)
Public Safety	1,018,070	1,076,864	(58,794)
Economic Assistance and Opportunity	-	31,308	(31,308)
Employee benefits	<u>861,045</u>	<u>896,343</u>	<u>(35,298)</u>
<b>Total Expenditures</b>	<b><u>\$ 3,769,122</u></b>	<b><u>\$ 3,851,833</u></b>	<b><u>\$ (82,711)</u></b>
Sewer Fund:			
Employee benefits	<u>\$ 169,492</u>	<u>\$ 157,783</u>	<u>\$ 11,709</u>

#### Effect:

Without making the necessary revisions to its budget, the Village cannot adequately monitor its overall financial status. Management cannot be sure an adequate fund balance is being maintained and operations are progressing as planned.

### Village Response:

The Village did not, in several cases, adjust the budget. This caused many of the above overexpenditures. In future years, the Village will more closely monitor and adjust the budget where necessary.

### 2014-001 - Recording of Disbursements

#### Condition/Criteria:

It was noted that several payments made after year-end were reflected as reductions of the cash balance, rather than as liabilities at year-end. This causes both cash and accounts payable to be understated at July 31, 2014.

# ***VILLAGE OF OWEGO***

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JULY 31, 2014**

### **Effect:**

The financial statements presented were adjusted by \$45,754, the total of these payments.

### **Recommendation:**

We recommend that amounts owed at year-end be recorded as liabilities on that date, and that cash not be reduced until payment is made.

### **Villages Response:**

The Village will correct these errors in future years.

### **2014-002 - Other Postemployment Benefits**

#### **Condition/Criteria:**

GASB statement No. 45 requires that the Village obtain an actuarial valuation of its other postemployment benefits every three years. The Village did not obtain such a valuation in the year-ended July 31, 2014.

#### **Effect:**

While there were no significant changes in the Village's health insurance plan, there would likely be a change to the OPEB liability. In the accompanying financial statements, July 31, 2013 expense was repeated.

#### **Recommendation:**

We recommend the Village explore updated valuations in accordance with GASB Statement No. 45.

#### **Village Response:**

The Village has made arrangements to obtain a valuation for the July 31, 2015 year.

**Section III - Federal Award Findings and Questioned Costs:                      None**