

TOWN OF CORTLANDVILLE

Cortland, New York

FINANCIAL REPORT

December 31, 2017



TOWN OF CORTLANDVILLE

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INDEPENDENT AUDITOR'S REPORT

Town Board
Town of Cortlandville
Cortland, 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 Town of Cortlandville, (the Town), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town'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.

INSERO & Co. CPAs, LLP

Rochester | Ithaca | Corning | Cortland | Watkins Glen | (800) 232-9547 | www.inserocpa.com

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 Town of Cortlandville, as of December 31, 2017, 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.

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 Schedules, Schedule of Funding Progress, Schedules of the Town's Contributions - NYSLRS Pension Plans, the Schedule of the Town's Proportionate Share of Net Pension Liability, and the related notes to required supplementary information on pages 3-3i and 36-45, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2018 on our consideration of the Town of Cortlandville'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 Town's internal control over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in dark ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, flowing style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
July 2, 2018

TOWN OF CORTLANDVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

Our discussion and analysis of the Town of Cortlandville's (the Town) financial performance provides an overview of the Town's financial activities for the fiscal year ended December 31, 2017. This section is a summary of the Town'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 in the current year. Please read it in conjunction with the Town's financial statements, which begin on page 4.

FINANCIAL HIGHLIGHTS

- ❖ The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$13,639,459 (net position) compared to \$13,143,384 in 2016.
- ❖ The Town follows Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." This statement requires the Town to record a liability and expense for a portion of the Actuarial Accrued Liability. This liability amounted to \$2,907,080 at December 31, 2017 and the expense recognized amounted to \$601,111.
- ❖ During the year ended December 31, 2017, the Town recorded its proportionate share of the net pension liability along with deferred inflows and outflows of resources related to pensions in accordance with the parameters of GASB Statement No. 68. "Accounting and Financial Reporting for Pensions." Current year recognition resulted in an increase of Government-wide expenses of \$87,777.
- ❖ During the year, the Town had expenses that were \$(496,075) less than the \$7,402,145 generated in tax and other revenues for governmental programs. Comparatively, in the prior year expenses were \$(559,453) less than the \$7,192,035 generated in tax and other revenues for government programs.
- ❖ The General Funds recorded an increase in fund balances of \$419,956 in 2017. General Funds combined fund balances at year end were \$2,245,045.
- ❖ The Town's debt decreased \$(730,900) during the current fiscal year, to a total of \$7,667,100, as a result of the maturity of bond anticipation notes exceeding the amount of serial bonds issued during the year, in combination with debt payments of \$339,900.

TOWN OF CORTLANDVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

USING THIS ANNUAL REPORT

This annual report consists of a series of basic financial statements. The Statement of Net Position and the Statement of Activities (on pages 4-5) provide information about the Town as a whole and present a longer-term view of the Town's finances. Governmental Fund financial statements start on page 6. For Governmental Activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. The Governmental Fund financial statements also report the Town's operations in greater detail than the Government-wide financial statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside the government. Following these statements are notes that provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition to the basic financial statements, the annual report contains other information in the form of combining statements for those funds that are not considered major funds and, therefore, are not presented individually in the basic financial statements. The report also includes schedules comparing the Town's final budgets to actual revenues and expenditures for the General Funds and Major Special Revenue Funds.

Reporting the Town as a Whole

Our analysis of the Town as a whole begins on page 4, with the Government-wide financial statements. The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer the question of whether the Town, as a whole, is better off or worse off, as a result of the year's activities. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when the cash is received or paid.

These two statements report the Town's net position and changes in it. One can think of the Town's net position, the difference between assets, deferred outflows, and liabilities, as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. One will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's infrastructure, to assess the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, all of the Town's activities, which are governmental in nature, are reported in one column, including public safety, public health, transportation, economic assistance, culture and recreation, home and community services, and general administration. Property and sales taxes, and state and federal grants finance most of these activities.

TOWN OF CORTLANDVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

Reporting the Town's Most Significant Funds

Governmental Fund Financial Statements

Analysis of the Town's Major Funds begins on page 6. The Governmental Fund financial statements provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by state law. However, management establishes many other funds to help it control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes and grants.

Governmental Funds: All of the Town's services are reported in the Governmental Funds, which focus on how money flows into and out of those funds, and the balances left at year end that are available for spending. These funds are reported using *modified accrual accounting*, which measures cash and all other financial assets that can be readily converted to cash. The Governmental Fund statements provide a detailed short-term view of the Town's general governmental operations and the basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between *Governmental Activities* (reported in the Government-wide financial statements) and *Governmental Funds* is explained in a reconciliation following the Governmental Fund financial statements.

The Town as Trustee: The Town is the trustee, or fiduciary, for other assets that are held on behalf of others. All of the Town's Fiduciary Activities are reported in a separate Statement of Fiduciary Net Position on page 10. We exclude these activities from the Town's other financial statements because the Town cannot use these resources to finance its operations. The Town is responsible for ensuring the resources reported in this fund are used for their intended purposes.

THE TOWN AS A WHOLE

The Town's *combined* net position for fiscal year ended December 31, 2017 increased from \$13,143,384 to \$13,639,459. A portion of the Town's net position reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Town has chosen not to report infrastructure assets acquired prior to January 1, 2003, in accordance with the transition provisions of GASB Statement No. 34. An additional portion of the Town's net position represents resources subject to external restrictions on how they may be used and are reported as restricted. The remaining category of total net position is unrestricted and may be used to meet the government's ongoing obligations and services to creditors and citizens.

TOWN OF CORTLANDVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

Our analysis below focuses on the net position (Figure 1), and changes in net position (Figure 2), of the Town's Governmental Activities.

Figure 1 - Net Position

	<i>Governmental Activities</i>		<i>Dollar Change</i>	<i>Percent Change</i>
	<i>2016</i>	<i>2017</i>	<i>2016 - 2017</i>	<i>2016 - 2017</i>
<i>Current assets</i>	\$ 5,882,759	\$ 6,082,508	\$ 199,749	3.4%
<i>Noncurrent assets</i>	2,020,538	1,991,680	(28,858)	(1.4%)
<i>Capital assets, net</i>	16,047,137	16,312,983	265,846	1.7%
<i>Total Assets</i>	23,950,434	24,387,171	436,737	1.8%
<i>Pensions</i>	1,248,863	623,208	(625,655)	(50.1%)
<i>Total Deferred Outflows of Resources</i>	1,248,863	623,208	(625,655)	(50.1%)
<i>Current liabilities</i>	2,502,736	500,810	(2,001,926)	(80.0%)
<i>Noncurrent liabilities</i>	9,420,171	10,760,826	1,340,655	14.2%
<i>Total Liabilities</i>	11,922,907	11,261,636	(661,271)	(5.5%)
<i>Pensions</i>	133,006	109,284	(23,722)	(17.8%)
<i>Total Deferred Inflows of Resources</i>	133,006	109,284	(23,722)	(17.8%)
<i>Net investment in capital assets</i>	8,107,359	8,645,883	538,524	6.6%
<i>Restricted</i>	2,081,137	2,057,530	(23,607)	(1.1%)
<i>Unrestricted</i>	2,954,888	2,936,046	(18,842)	(0.6%)
<i>Total Net Position</i>	\$ 13,143,384	\$ 13,639,459	\$ 496,075	3.8%

The increase in current assets is primarily due to an increase in cash on hand which increased as a result of revenues exceeding expenditures for the year. Capital assets increased mainly due to capital outlay exceeding depreciation expense. Current liabilities decreased due to a significant decrease in BANs payable. Noncurrent liabilities increased due to increases in bonds payable and other postemployment benefits liability, offset by a decrease in net pension liability-proportionate share.

Deferred outflows of resources and deferred inflows of resources decreased based on actuarially determined amounts provided the NYSLRS.

TOWN OF CORTLANDVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

Figure 2 demonstrates the operations of the Town's Governmental Activities.

Figure 2 - Changes in Net Position

	<i>Governmental Activities and Total Government</i>		<i>Dollar Change</i>	<i>Percent Change</i>
	<i>2016</i>	<i>2017</i>	<i>2016 - 2017</i>	<i>2016 - 2017</i>
<i>REVENUES</i>				
<i>Program Revenues :</i>				
<i>Charges for services</i>	\$ 2,556,511	\$ 2,410,132	\$ (146,379)	(5.7%)
<i>Operating grants</i>	211,095	363,577	152,482	72.2%
<i>Capital grants</i>	189,781	219,285	29,504	15.5%
<i>General Revenues :</i>				
<i>Property taxes and tax items</i>	1,761,286	1,791,899	30,613	1.7%
<i>Nonproperty taxes</i>	2,362,936	2,454,641	91,705	3.9%
<i>Use of money and property</i>	8,428	14,048	5,620	66.7%
<i>Other general revenues</i>	101,998	148,563	46,565	45.7%
<i>Total Revenues</i>	\$ 7,192,035	\$ 7,402,145	\$ 210,110	2.9%
<i>PROGRAM EXPENSES</i>				
<i>General government</i>	1,717,294	1,210,374	(506,920)	(29.5%)
<i>Public safety</i>	82,139	84,147	2,008	2.4%
<i>Public health</i>	5,437	3,798	(1,639)	(30.1%)
<i>Transportation</i>	3,181,310	3,330,852	149,542	4.7%
<i>Economic assistance</i>	18,000	18,000	-	0.0%
<i>Culture and recreation</i>	401,361	93,743	(307,618)	(76.6%)
<i>Home and community services</i>	1,097,019	1,999,235	902,216	82.2%
<i>Interest on long-term debt</i>	130,022	165,921	35,899	27.6%
<i>Total Expenses</i>	6,632,582	6,906,070	273,488	4.1%
<i>INCREASE IN NET POSITION</i>	\$ 559,453	\$ 496,075	\$ (63,378)	(11.3%)

Charges for services decreased primarily based on lower Water and Sewer Fund revenues. Operating grants increased primarily due to an increase in mortgage tax aid and a new community development grant received in 2017. Capital grants increased due to increased State aid. Use of money and property increased as a result of new revenue from the Gutchess lease.

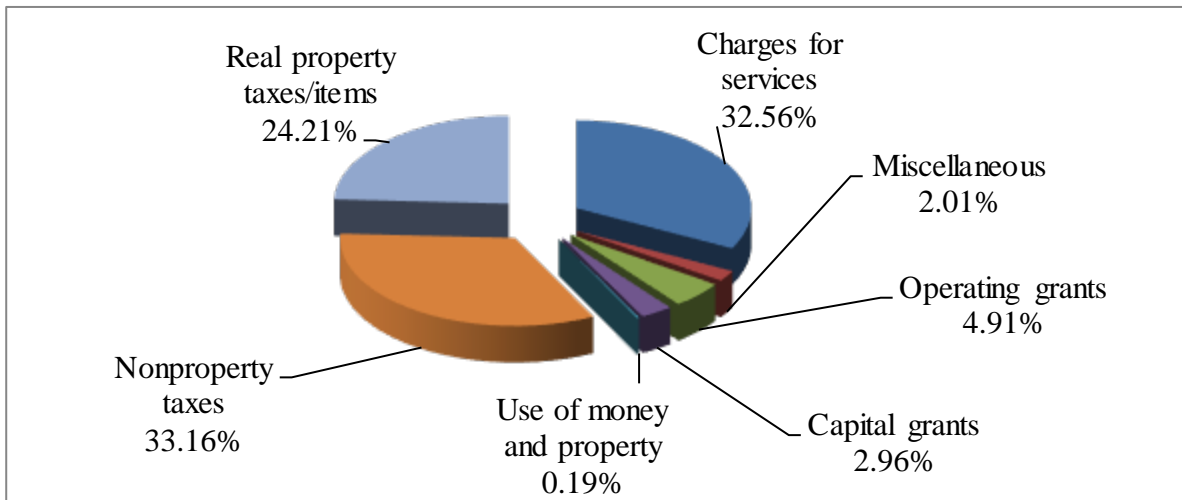
The increase in home and community services and culture and recreation expenses is mainly a result of timing differences related to construction projects. General government expenditures decreased based on the trade in of a land parcel that was not expensed from funds.

TOWN OF CORTLANDVILLE

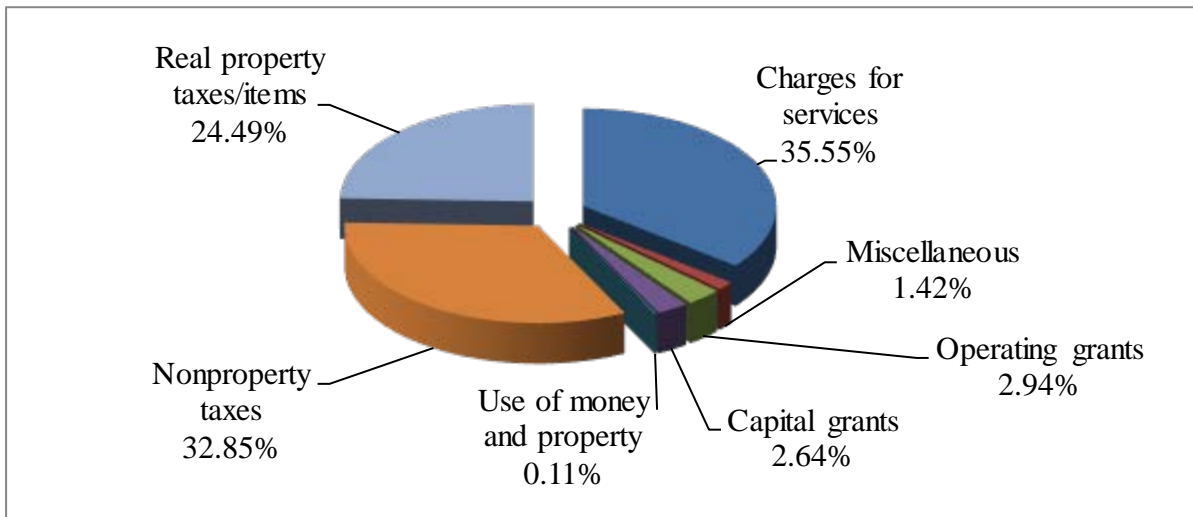
MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

Figures 3 and 4 show the sources of revenue for 2017 and 2016.

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



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



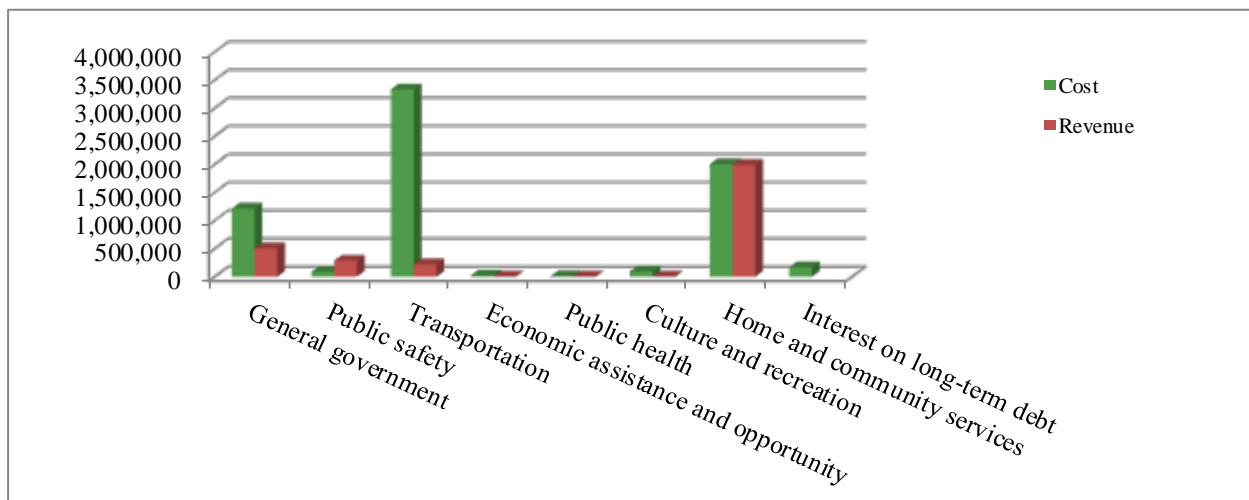
The cost of all Governmental Activities this year was \$6,906,070. However, as shown in the Statement of Activities, the net expense of these activities was \$3,913,076, because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. Overall, the Town's governmental program revenues, including fees for services and grants, were \$2,992,994. The Town paid for the remaining "public benefit" portion of Governmental Activities with \$4,409,151 in taxes and other revenues, such as interest and general entitlements.

TOWN OF CORTLANDVILLE

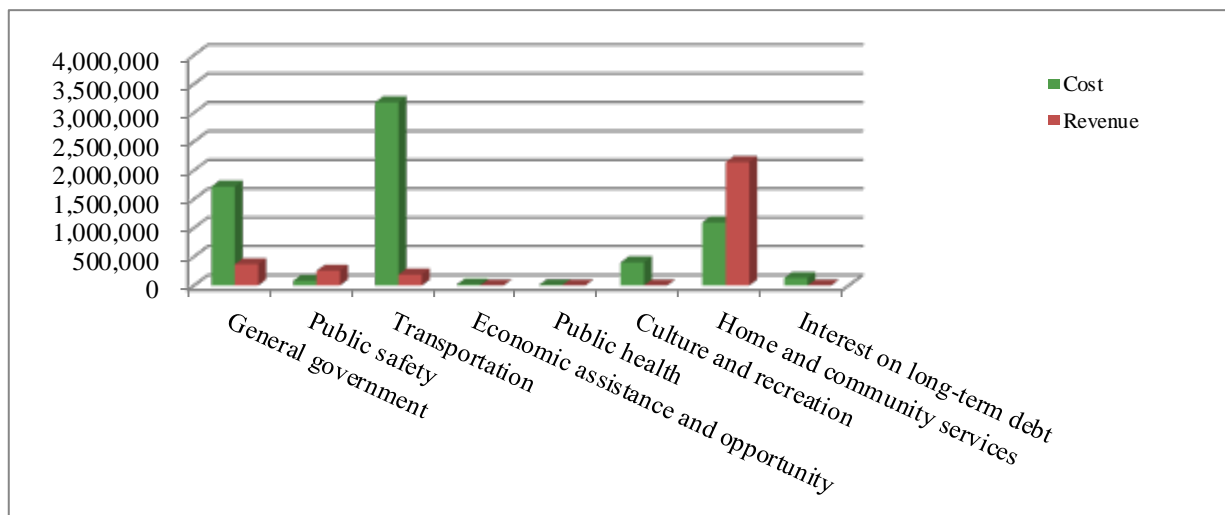
MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

The total cost and revenue comparison of the Governmental Activities for each of the Town's largest programs follows. Note that the Town's home and community service activities, which provide water and sewer services, include debt service costs in their fee structures. Because debt service costs are not expenses of this function, the excess revenue generated by these activities is used to make principal and interest payments. The difference between cost and revenue shows the financial burden placed on the Town's taxpayers by each of these functions.

**Figure 5 - Program Cost and Revenue Comparison - Governmental Activities
2017**



**Figure 6 - Program Cost and Revenue Comparison - Governmental Activities
2016**



TOWN OF CORTLANDVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

THE TOWN'S FUNDS

As the Town completed the year, its Governmental Funds, as presented in the balance sheets on pages 6-6a, reported an increase in combined fund balance. The increase was primarily due to the elimination of the majority of the deficit fund balance in the Capital Projects Fund in the current year. Figure 7 shows the changes in fund balances during the year for the Town's funds.

Figure 7 - Governmental Funds - Fund Balances at Years Ending

	2016	2017	<i>Dollar Change</i>
			2016 - 2017
<i>General Fund - Townwide</i>	\$ 1,072,417	\$ 1,466,909	\$ 394,492
<i>General Fund - Parttown</i>	752,672	778,136	25,464
<i>Highway Fund - Parttown</i>	1,831,222	2,009,576	178,354
<i>Water Fund</i>	1,813,161	2,019,632	206,471
<i>Sewer Fund</i>	799,762	867,548	67,786
<i>Special Grant Fund</i>	256,769	322,014	65,245
<i>Capital Projects Fund</i>	(1,617,778)	(166,573)	1,451,205
<i>Non-Major Funds</i>	275,086	275,140	54
<i>Totals</i>	\$ 5,183,311	\$ 7,572,382	\$ 2,389,071

The increases in fund balance across all funds is a result of an excess of revenues over expenditures. The increase in the Capital Projects Fund was due to proceeds of obligations for capital projects exceeding capital outlay; the negative fund balance will be eliminated when short-term debt is converted to long-term debt.

General Funds Budgetary Highlights

Over the course of the year, the Town Council and management of the Town revised the Town budgets several times. These budget amendments consisted of transfers between functions.

- ❖ Resources available for appropriation were \$263,832 more than the final budget. Expenditures and other financing uses were \$473,107 favorable when compared to budget due to cost containment measures.

TOWN OF CORTLANDVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2017, the Town had \$35,012,667, less accumulated depreciation of \$18,699,684, invested in a broad range of capital assets, including buildings, machinery and equipment, roads and bridges.

Figure 8 - Capital Assets, Net of Depreciation

	<i>Governmental Activities and Total Government</i>		<i>Dollar Change</i>
	<i>2016</i>	<i>2017</i>	<i>2016 - 2017</i>
<i>Land</i>	\$ 457,912	\$ 999,252	\$ 541,340
<i>Construction in progress</i>	4,418,739	266,581	(4,152,158)
<i>Improvements</i>	1,045,967	5,337,170	4,291,203
<i>Buildings</i>	2,544,691	2,456,873	(87,818)
<i>Equipment</i>	1,516,586	1,433,674	(82,912)
<i>Infrastructure</i>	6,063,242	5,819,433	(243,809)
<i>Totals</i>	\$ 16,047,137	\$ 16,312,983	\$ 265,846

Depreciation expense during the year amounted to \$847,864. The Town has not reported any infrastructure assets prior to 2003, in accordance with the transition provisions of GASB Statement No. 34.

Debt Administration

Debt (bonds and BANs), considered a liability of Governmental Activities, decreased, bringing total debt to \$7,667,100 as of December 31, 2017, as shown in Figure 9. Of the amount of bonds and notes outstanding, \$540,000 is subject to the constitutional debt limit and represented 0.83% of the Town's statutory debt limit. The Town's bond rating is currently Aa3 from Moody's.

Figure 9 - Major Outstanding Debt at Years Ending

	<i>Governmental Activities and Total Government</i>		<i>Dollar Change</i>	<i>Percent Change</i>
	<i>2016</i>	<i>2017</i>	<i>2016 - 2017</i>	<i>2016 - 2017</i>
<i>Bond anticipation notes</i>	\$ 2,076,000	\$ -	\$ (2,076,000)	(100.0%)
<i>Serial bonds</i>	6,322,000	7,667,100	1,345,100	21.3%
<i>Totals</i>	\$ 8,398,000	\$ 7,667,100	\$ (730,900)	(8.7%)

TOWN OF CORTLANDVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Approved 2018 budget shows an increase in tax rate of \$0.08 per \$1,000 of assessed value.
- Water benefit tax increased \$7.27 per unit as a result of new water line construction. Debt payment led to a lower sewer benefit tax.
- The Town closed on 101 acres of land, which will eventually become Gutches Lumber Sports Complex. Phase 1 of construction will begin in 2018, including 2 ball fields, water and sewer, road and parking. The estimated cost is \$4,312,000. The Town of Cortlandville was awarded a Capital Grant for the Sports Complex in the amount of \$250,000 from the Dormitory Authority of the State of New York and \$862,000 from the Empire State Development.
- The Town signed a lease agreement with Gutches Lumber regarding the Town's Citizen Park. A countdown of 24 months commenced with the purchase of the 101 acres and the lease agreement to move Citizens Park.
- The Farmland Protection Plan should be completed in the summer of 2018.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about the report or need any additional financial information contact Richard Tupper, Supervisor, Town of Cortlandville, at 3577 Terrace Road, Cortlandville, New York 13045.

TOWN OF CORTLANDVILLE

STATEMENT OF NET POSITION DECEMBER 31, 2017

	Governmental Activities
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 5,281,908
Taxes receivable, net	28,335
Due from other governments	615,803
Other receivables, net	570
Prepaid expenses	90,042
Loans receivable, current portion	65,850
Total Current Assets	6,082,508
Noncurrent Assets	
Restricted cash and cash equivalents	1,578,134
Loans receivable, long-term portion	413,546
Capital assets, non-depreciable	1,265,833
Other capital assets, net of accumulated depreciation	15,047,150
Total Noncurrent Assets	18,304,663
Total Assets	24,387,171
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	623,208
Total Deferred Outflows of Resources	623,208
LIABILITIES	
Current Liabilities	
Accounts payable	22,410
Interest payable	57,100
Current portion of noncurrent obligations:	
Bonds payable	421,300
Total Current Liabilities	500,810
Noncurrent Liabilities and Obligations	
Bonds payable	7,245,800
Other postemployment benefits liability	2,907,080
Net pension liability - Proportionate share	607,946
Total Noncurrent Liabilities	10,760,826
Total Liabilities	11,261,636
DEFERRED INFLOWS OF RESOURCES	
Pensions	109,284
Total Deferred Inflows of Resources	109,284
NET POSITION	
Net investment in capital assets	8,645,883
Restricted	2,057,530
Unrestricted	2,936,046
Total Net Position	\$ 13,639,459

See Independent Auditor's Report and Notes to Financial Statements

TOWN OF CORTLANDVILLE

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017

		Program Revenues			Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
FUNCTIONS/PROGRAMS					
Governmental Activities					
General governmental support	\$ 1,210,374	\$ 189,577	\$ 314,524	\$	\$ (706,273)
Public safety	84,147	282,080			197,933
Public health	3,798				(3,798)
Transportation	3,330,852			219,285	(3,111,567)
Economic assistance and opportunity	18,000				(18,000)
Culture and recreation	93,743				(93,743)
Home and community services	1,999,235	1,938,475	49,053		(11,707)
Interest on long-term debt	165,921				(165,921)
Total Governmental Activities	\$ 6,906,070	\$ 2,410,132	\$ 363,577	\$ 219,285	(3,913,076)

GENERAL REVENUES

Real property taxes	1,742,751
Real property tax items	49,148
Nonproperty tax items	2,454,641
Use of money and property	14,048
Sale of property and compensation for loss	32,144
Miscellaneous local sources	116,419
Total General Revenues	4,409,151
Change in Net Position	496,075
Net Position - Beginning	13,143,384
Net Position - Ending	\$ 13,639,459

See Independent Auditor's Report and Notes to Financial Statements

TOWN OF CORTLANDVILLE

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2017

	Major Funds	
	General Townwide Fund	General Parttown Fund
ASSETS		
Cash and cash equivalents - Unrestricted	\$ 1,338,709	\$ 250,011
Cash and cash equivalents - Restricted	113,698	20,655
Taxes receivable (net)	28,335	
Due from other funds		254,731
Due from other governments		250,000
Other receivables, net		
Prepaid expenses	25,147	2,739
Loans receivable		
Total Assets	\$ 1,505,889	\$ 778,136
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 10,645	\$
Due to other funds	28,335	
Total Liabilities	38,980	-
Deferred Inflows of Resources		
Unavailable revenues		
Total Deferred Inflows of Resources	-	-
FUND BALANCES		
Nonspendable	25,147	2,739
Restricted	113,698	20,655
Assigned	151,893	420,000
Unassigned	1,176,171	334,742
Total Fund Balances	1,466,909	778,136
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,505,889	\$ 778,136

See Independent Auditor's Report and Notes to Financial Statements

Major Funds					Non-Major Governmental Fund Special Revenue Fund	Total Governmental Funds
Special Revenue Funds					Highway Townwide Fund	
Highway Parttown Fund	Water Fund	Sewer Fund	Special Grant Fund	Capital Projects Fund		
\$ 1,284,735	\$ 1,602,964	\$ 430,341	\$	\$ 100,008	\$ 275,140	\$ 5,281,908
338,540	387,746	395,481	322,014			1,578,134
						28,335
	13,201	26,984				294,916
365,803						615,803
	522	48				570
32,263	15,199	14,694				90,042
			479,396			479,396
\$ 2,021,341	\$ 2,019,632	\$ 867,548	\$ 801,410	\$ 100,008	\$ 275,140	\$ 8,369,104

\$ 11,765	\$	\$	\$	\$	\$	\$ 22,410
				266,581		294,916
11,765	-	-	-	266,581	-	317,326
			479,396			479,396
-	-	-	479,396	-	-	479,396
32,263	15,199	14,694				90,042
338,540	387,746	395,481	322,014			1,578,134
1,638,773	1,616,687	457,373			275,140	4,559,866
				(166,573)		1,344,340
2,009,576	2,019,632	867,548	322,014	(166,573)	275,140	7,572,382
\$ 2,021,341	\$ 2,019,632	\$ 867,548	\$ 801,410	\$ 100,008	\$ 275,140	\$ 8,369,104

TOWN OF CORTLANDVILLE

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION DECEMBER 31, 2017

Total Governmental Fund Balances **\$ 7,572,382**

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

Capital assets of the governmental funds, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds. 16,312,983

The Town's proportion of the collective net pension liability is not reported in the funds. (607,946)

Deferred inflows of resources are not recognized as revenue until a future period and, therefore, are not reported as revenue in Governmental Funds. Deferred outflows and inflows of resources related to pensions do not affect current period expenditures and, therefore, are not reported as assets and liabilities, respectively, in the Governmental Funds.

Deferred inflows of resources - Unavailable revenue	\$ 479,396	
Deferred inflows of resources - Pension	(109,284)	
Deferred outflows of resources - Pension	<u>623,208</u>	993,320

Certain accrued obligations and expenses reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in Governmental Funds.

Accrued interest payable (57,100)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Other postemployment benefits liability	\$ (2,907,080)	
Bonds payable	<u>(7,667,100)</u>	<u>(10,574,180)</u>

Net Position of Governmental Activities **\$ 13,639,459**

See Independent Auditor's Report and Notes to Financial Statements

TOWN OF CORTLANDVILLE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2017

	Major Funds	
	General Townwide Fund	General Parttown Fund
REVENUES		
Real property taxes	\$ 1,274,096	\$ 52,626
Real property tax items	49,148	
Nonproperty tax items	112,812	250,000
Departmental income	3,195	62,449
Intergovernmental charges		
Use of money and property	343	5,192
Licenses and permits	11,280	
Fines and forfeitures	281,195	
Sale of property and compensation for loss	64,887	
Miscellaneous local sources	92	(1,653)
State sources	278,864	35,660
Federal sources	264	
Total Revenues	2,076,176	404,274
EXPENDITURES		
Current:		
General governmental support	1,081,890	44,802
Public safety	64,170	19,824
Public health		2,369
Transportation	210,041	
Economic assistance and opportunity	18,000	
Culture and recreation	300	341,637
Home and community services	4,508	141,283
Employee benefits	395,642	83,625
Debt Service:		
Principal	60,000	
Interest	28,320	
Capital outlay		
Total Expenditures	1,862,871	633,540
Excess of Revenues (Expenditures)	213,305	(229,266)
OTHER FINANCING SOURCES (USES)		
Interfund transfers in	181,187	254,730
Interfund transfers (out)		
Proceeds of obligations		
BANs redeemed from appropriations		
Total Other Financing Sources (Uses)	181,187	254,730
Net Changes in Fund Balances	394,492	25,464
Fund Balances, Beginning	1,072,417	752,672
Fund Balances, Ending	\$ 1,466,909	\$ 778,136

See Independent Auditor's Report and Notes to Financial Statements

Major Funds					Non-Major Governmental Fund	Total Governmental Funds
Special Revenue Funds					Special Revenue Fund	
Highway Parttown Fund	Water Fund	Sewer Fund	Special Grant Fund	Capital Projects Fund	Highway Townwide Fund	
\$ 416,029	\$ 183,119	\$ 325,353	\$	\$	\$	\$ 2,251,223
						49,148
2,204,641						2,567,453
	679,370	750,633	58,089			1,553,736
		726				726
347	621	327	7,156	8	54	14,048
						11,280
						281,195
47,917						112,804
	8,630	9,350		100,000		116,419
219,285						533,809
			48,789			49,053
2,888,219	871,740	1,086,389	114,034	100,008	54	7,540,894
						1,126,692
						83,994
						2,369
2,309,735						2,519,776
						18,000
						341,937
	318,368	647,351	48,789			1,160,299
400,130	94,700	30,598				1,004,695
	121,879	158,021				339,900
	46,238	86,379				160,937
				78,224		78,224
2,709,865	581,185	922,349	48,789	78,224		6,836,823
178,354	290,555	164,040	65,245	21,784	54	704,071
	849					436,766
	(84,933)	(96,254)		(255,579)		(436,766)
				1,675,000		1,675,000
				10,000		10,000
-	(84,084)	(96,254)	-	1,429,421	-	1,685,000
178,354	206,471	67,786	65,245	1,451,205	54	2,389,071
1,831,222	1,813,161	799,762	256,769	(1,617,778)	275,086	5,183,311
<u>\$ 2,009,576</u>	<u>\$ 2,019,632</u>	<u>\$ 867,548</u>	<u>\$ 322,014</u>	<u>\$ (166,573)</u>	<u>\$ 275,140</u>	<u>\$ 7,572,382</u>

TOWN OF CORTLANDVILLE

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017

Net Change in Fund Balances - Total Governmental Funds **\$ 2,389,071**

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

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense as well as the book value of disposed assets in the current period.

Capital outlay	\$ 1,194,370	
Depreciation expense	(847,864)	
Net book value of disposed assets	<u>(80,660)</u>	265,846

Changes in the Town's proportionate share of net pension liabilities have no effect on current financial resources and, therefore, are not reported in the Governmental Funds. In addition, changes in the Town's deferred outflows and deferred inflows related to pensions do not effect current financial resources and are also not reported in the Governmental Funds.

ERS	(87,777)
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Cash outflows from the issuance of loans to qualified recipients under revolving loan programs are recorded as expenditures, whereas loan repayments are recorded as revenue in the fund financial statements. In the Government-wide statements, these transactions affect only cash and loans receivable and are not recorded in the Statement of Activities. This is the amount by which loans issued exceeded loan repayments.

Loans issued	\$ 45,310	
Forgiveable loans written off	(107,091)	
Repayments	<u>(58,089)</u>	(119,870)

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

Proceeds of obligations	\$ (1,675,000)	
BANs redeemed from appropriations	(10,000)	
Debt principal payments	<u>339,900</u>	(1,345,100)

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

Change in interest payable	(4,984)
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Long-term obligations, such as those associated with employee benefits, are reported in the Statement of Net Position. Therefore expenses which result in an (increase) or decrease in these long-term obligations are not reflected in the Governmental Fund financial statements. These are changes in amounts reported in the Statement of Activities.

Other postemployment benefits liability	<u>(601,111)</u>
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Change in Net Position of Governmental Activities **\$ 496,075**

See Independent Auditor's Report and Notes to Financial Statements

TOWN OF CORTLANDVILLE

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2017

	Agency Funds
ASSETS	
Cash	
Unrestricted	\$ <u>30,626</u>
Total Assets	\$ <u><u>30,626</u></u>
 LIABILITIES	
Other liabilities	\$ <u>30,626</u>
Total Liabilities	\$ <u><u>30,626</u></u>

See Independent Auditor's Report and Notes to Financial Statements

TOWN OF CORTLANDVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

The basic financial statements of the Town of Cortlandville (Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant government's accounting policies are described below.

Financial Reporting Entity

The Town, which was established in 1829, is governed by its Charter, Town Law, other general laws of the State of New York, and various local ordinances. The Town Board is the legislative body responsible for overall operations, the Town Supervisor serves as chief executive officer and the bookkeeper serves as chief fiscal officer.

The following basic services are provided: highways and streets, water, sanitation, health, culture and recreation, public improvements, planning and zoning, and general administration.

Fire protection is provided by a separate department which is funded by a Fire Tax District (the District). The District is funded by means of a tax on the real property tax bill to the Town's taxpayers. In 2017, the Town collected and the submitted tax revenue in the amount of \$765,460 to the District.

The financial reporting entity consists of the following, as defined by 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 Town.
- 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.

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

TOWN OF CORTLANDVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

Basic Financial Statements

The Town's basic financial statements include both Government-wide (reporting the Town as a whole) and Governmental Fund financial statements (reporting the Town's funds). The Government-wide and Governmental Fund financial statements categorize primary activities as governmental. The Town's general governmental support, public safety, public health transportation, economic assistance, culture and recreation, and home and community services are classified as Governmental Activities.

Government-wide Financial Statements

The Government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of activities for the primary government (Governmental and Business-type). Government-wide financial statements do not include the activities reported in the Fiduciary Funds. The focus of the Government-wide financial statements addresses the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

In the Government-wide Statement of Net Position, the Governmental Activities column is presented on a consolidated basis, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts - net investment in capital assets, restricted, and unrestricted. The Town first utilizes restricted resources to finance qualifying activities.

The Statement of Activities reports both the gross and net cost for each of the Town's functions or programs. Gross expenses are direct expenses, including depreciation, that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. These expenses are offset by program revenues - charges paid by the recipients of the goods or services offered by the programs, grants, and contributions - that are restricted to meeting the program or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Town, with certain limited exceptions. The net cost represents the extent to which each function or program is self-financing or draws from the general revenues of the Town.

The Town does not allocate indirect costs. Indirect costs are reported in the function entitled "general governmental support."

TOWN OF CORTLANDVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

Governmental Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the 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 government functions or activities.

The Town 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 Town's Governmental Funds:

Major Funds

- General Funds - Principal operating funds which include all operations not required to be recorded in other funds. There are two general funds; one accounting for activity affecting the entire Town (General Townwide), and a second which accounts for activity outside the Village of McGraw (General Parttown).

Special Revenue Funds

- Highway Parttown Fund - Established pursuant to Highway Law, Section 141, used to account for revenues and expenditures for highway purposes outside the Village of McGraw.
- Water Fund - Established by law to account for revenues derived from charges for water consumption and the application of such revenues toward related operating expenses and debt retirement.
- Sewer Fund - Established by law to account for revenues derived from charges for sewer usage and the application of such revenues toward related operating expenses and debt retirement.

TOWN OF CORTLANDVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

Special Revenue Funds - Continued

- Special Grant Fund - Established by law to account for activities under the Housing and Community Development Act of 1974.

Capital Projects Fund - Used to account for financial resources to be used for the acquisition, construction, or renovation of major capital facilities.

Non-Major Fund

Special Revenue Fund

- Highway Townwide Fund - Established pursuant to Highway Law, Section 141, used to account for revenues and expenditures for highway purposes of the entire Town.

Fiduciary Fund Types

Fiduciary Fund types are used to account for assets held by the local government in a trustee or custodial capacity. The Town reports the following Fiduciary Fund:

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

Basis of Accounting/Measurement Focus

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

Accrual Basis

The Government-wide financial statements are presented on the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets and liabilities, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

TOWN OF CORTLANDVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

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 Town considers property tax receivables collected within 60 days after year-end to be available and recognizes them as revenues of the current year. All other revenues that are deemed collectible within one year after year end are recognized as revenues in the current year. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

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

Property Taxes

Real property taxes are levied annually by the Town no later than January 1, and become a lien on January 1. Town taxes are payable from January 1, to a date not later than June 1, and are deposited directly to the credit of the Town fiscal officer. The Town collects all real estate taxes for Town and County purposes. The Town distributes the collected tax money to the Town Supervisor prior to distributing the balance collected to the County on June 1. The Town thereby is assured of 100% tax collection. Responsibility for the collection of unpaid taxes rests with the County. Uncollected tax liens are sold annually by the County.

Cash and Cash Equivalents

For financial statement purposes, all highly liquid investments having maturities of three months or less are considered cash equivalents.

Investments

Investments are stated at fair value.

Receivables

Property tax receivables are stated net of the estimated allowance for uncollectible amounts. Amounts due from state and federal governments represent amounts owed to the Town to reimburse it for expenditures incurred pursuant to state and federal programs. Other receivables represent amounts owed to the Town, which include sewer rents, water rents, and assessments. No provision has been made for uncollectible accounts for amounts due from the state and federal governments and other receivables as it is believed that such amounts would be immaterial.

TOWN OF CORTLANDVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

Capital Assets

All capital assets are valued at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets. Governmental capital assets purchased or acquired with an original cost of at least \$1,000 and having a useful life of greater than one year are capitalized. The estimated useful lives for governmental capital assets are as follows:

Buildings	40 years
Machinery and equipment	5-20 years
Infrastructure	15-60 years

Unearned Revenues

The Town reports unearned revenues on its Statement of Net Position and its Balance Sheet - Governmental Funds. Unearned revenues arise when resources are received by the Town before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when the Town has legal claim to the resources, the liability for unearned revenues is removed and revenues are recorded.

Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows of resources related to pensions in the Statement of Net Position. The types of deferred outflows of resources related to pensions are described in Note 6.

The Town has deferred inflows of resources related to unavailable revenue, which is reported only on the Balance Sheet - Governmental Funds. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. At December 31, 2017, the Town's deferred inflows of resources related to revenues consisted of \$479,396 in rehabilitation loans receivable. In addition, the Statement of Net Position reports a separate section for deferred inflows of resources related to pensions; these types of deferred inflows of resources are described in Note 6.

TOWN OF CORTLANDVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

Insurance and Risk Management

The Town 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.

Vacation, Sick Leave, and Compensatory Absences

Town employees are granted vacation, sick leave, and other leave benefits as defined in agreements between the Town and employee representative units. Limited amounts of leave time may be accumulated up to 40 hours and the cost, therefore, is recognized when payment is made to employees. In the event of termination, an employee is entitled to payment for accumulated vacation, unused compensatory absences, and one half of accumulated sick leave.

Equity Classifications

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

- Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - Consists of resources with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - Consists of all other resources which do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Governmental Fund Financial Statements

The Town follows GASB Statement No. 54, which changed 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.

TOWN OF CORTLANDVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

Governmental Fund Financial Statements - Continued

- **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 endowment 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 Town's legally adopted reserves are reported here.
- **Committed** - Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority prior to the end of the fiscal year, and requires the same level of formal action to remove said constraint.
- **Assigned** - Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.
- **Unassigned** - 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 Board of the Town has not adopted any resolutions to commit or assign fund balance. Currently, fund balances are assigned by the Town Clerk for encumbrances and the Board, by resolution, approves fund balance appropriations for next year's budget. The Town applies expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and 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. Transfers between Governmental Funds are netted as part of the reconciliation to the Government-wide financial statements.

TOWN OF CORTLANDVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

Governmental Fund Financial Statements - Continued

Revenues

Substantially all governmental fund revenues are accrued. Property tax receivables expected to be received later than 60 days after year end are deferred. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net resources are available, it is the Town's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

Use of Estimates

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

Future Changes in Accounting Standards

The Town will evaluate the impact each of the following pronouncements may have on its financial statements and will implement them as applicable and when material:

- GASB has issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," effective for the year ending December 31, 2018. This Statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions," as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB."
- GASB has issued Statement No. 83, "Certain Asset Retirement Obligations," effective for the year ending December 31, 2019.
- GASB has issued Statement No. 84, "Fiduciary Activities," effective for the year ending December 31, 2020. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 85, "Omnibus 2017," effective for the year ending December 31, 2018.

TOWN OF CORTLANDVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

Future Changes in Accounting Standards - Continued

- GASB has issued Statement No. 86, "Certain Debt Extinguishment Issues," effective for the year ending December 31, 2018.
- GASB has issued Statement No. 87, "Leases," effective for the year ending December 31, 2021.

***Note 2* Cash and Investments**

The Town's investment policies are governed by state statutes. In addition, the Town has its own written investment policy. The Town of Cortlandville's monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The Town Supervisor 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 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.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the Federal government. Underlying securities must have a market value of at least 105% of the cost of the repurchase agreement.

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. While the Town does not have a specific policy for custodial credit risk, New York State statutes govern the Town's investment policies, as discussed previously in the first paragraph above.

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 Town's name.

The Town's aggregate bank balances of \$7,012,696 are either insured or collateralized with securities held by the pledging financial institution in the Town's name.

TOWN OF CORTLANDVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 2 Cash and Investments - Continued

Restricted Cash

Total restricted cash of \$1,578,134 is composed of \$1,094,987 reserved for capital purposes, \$83,600 reserved for insurances, \$322,014 for community development, \$1,645 for other purposes and \$75,888 reserved for retirement contributions.

Note 3 Property Taxes

At December 31, 2017, total real property taxes receivable was \$28,335. No allowance for uncollectible taxes has been reported, as all property taxes are deemed collectible.

Note 4 Other Receivables

	<u>Description</u>	<u>Amount</u>
Water Fund	Rents	\$ 522
Sewer Fund	Rents	48
Total		\$ <u>570</u>

Note 5 Capital Assets

A summary of changes in capital assets at December 31, 2017 is as follows:

<u>Governmental Activities</u>	<u>Balance at 12/31/16</u>	<u>Additions</u>	<u>Deletions/ Reclassifications</u>	<u>Balance at 12/31/2017</u>
Non-depreciable Capital Assets:				
Land	\$ 457,912	\$ 594,000	\$ (52,660)	\$ 999,252
Construction in progress	4,418,739	333,046	(4,485,204)	266,581
Total Non-depreciable Capital Assets	<u>4,876,651</u>	<u>927,046</u>	<u>(4,537,864)</u>	<u>1,265,833</u>
Depreciable Capital Assets:				
Buildings	4,385,217	4,158		4,389,375
Improvements	1,704,750	3,650	4,485,204	6,193,604
Machinery and equipment	5,353,101	259,516	(194,983)	5,417,634
Infrastructure	17,746,221			17,746,221
Total Depreciable Capital Assets	<u>29,189,289</u>	<u>267,324</u>	<u>4,290,221</u>	<u>33,746,834</u>
Total Historical Cost	<u>34,065,940</u>	<u>1,194,370</u>	<u>(247,643)</u>	<u>35,012,667</u>
Less Accumulated Depreciation:				
Buildings	1,840,526	91,976		1,932,502
Improvements	658,783	197,651		856,434
Machinery and equipment	3,836,515	314,428	(166,983)	3,983,960
Infrastructure	11,682,979	243,809		11,926,788
Total Accumulated Depreciation	<u>18,018,803</u>	<u>847,864</u>	<u>(166,983)</u>	<u>18,699,684</u>
Governmental Activities Capital Assets, Net	\$ <u>16,047,137</u>	\$ <u>346,506</u>	\$ <u>(80,660)</u>	\$ <u>16,312,983</u>

TOWN OF CORTLANDVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 5 Capital Assets - Continued

Depreciation expense was charged to functions as follows:

General governmental support	\$	70,279
Public safety		153
Transportation		273,446
Culture and recreation		84,853
Home and community services		<u>419,133</u>
Total	\$	<u>847,864</u>

Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS) (the System)

Plan Descriptions and Benefits Provided

Employees' Retirement System (ERS)

The Town participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Town also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

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

TOWN OF CORTLANDVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 6* Pension Obligations - New York State and Local Employees' Retirement System (ERS) (the System) - Continued**

Summary of Significant Accounting Policies

The Systems' financial statements from which the Systems' fiduciary respective net position is determined are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the Systems' annual reports.

Contributions

Contributions for the current year and two preceding Plan years were equal to 100% of the contributions required, and were as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
ERS	\$ 275,760	\$ 354,575	\$ 374,517

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

At December 31, 2017, the Town reported the following liability for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Town's proportionate share of the net pension liability was based on a projection of the Town's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was derived from report provided to the Town by the ERS System.

	<u>ERS</u>
Actuarial valuation date	4/1/2016
Net pension liability	\$ 9,396,223,126
Town's proportionate share of the Plan's total net pension liability	607,946
Town's share of the Plan's total net pension liability	0.0064701%

For the year ended December 31, 2017, the Town recognized pension expense of \$367,982 for ERS in the financial statements. At December 31, 2017 the Town reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

TOWN OF CORTLANDVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

**Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS)
(the System) - Continued**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred
Inflows of Resources Related to Pensions - Continued**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,235	\$ 92,320
Changes of assumptions	207,697	
Net differences between projected and actual earnings on pension plan investments	121,432	
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	67,580	16,964
Town's contributions subsequent to the measurement date	211,264	
Total	\$ 623,208	\$ 109,284

Town contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	ERS
2018	\$ 134,809
2019	134,809
2020	114,869
2021	(81,827)
2022	-
Thereafter	-

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

TOWN OF CORTLANDVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS) (the System) - Continued

Actuarial Assumptions - Continued

	ERS
Measurement date	March 31, 2017
Actuarial valuation	April 1, 2016
Interest rate	7.0%
Salary increases	3.8%
Cost of living	1.3%
Inflation rate	2.5%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014.

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

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

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

TOWN OF CORTLANDVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS) - Continued

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and contributions from employers will be made at statutorily required rates, actuarially. Based on the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Town's proportionate share of the net pension liability (asset)	\$ 1,941,660	\$ 607,946	\$ (519,706)

Pension Plan Fiduciary Net Position

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

	Dollars in Thousands
	<u>ERS</u>
Valuation date	March 31, 2017
Employers' total pension liability	\$ 177,400,586
Plan net position	(168,004,363)
Employers' net pension liability	<u>\$ 9,396,223</u>
Ratio of Plan Net Position to the Employers' Total Pension Liability	94.7%

TOWN OF CORTLANDVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS) - Continued

Payables to the Pension Plans

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

Effect on Net Position

Changes in the net pension liability and deferred outflows and inflows of resources for the year ended December 31, 2017 resulted in the following effect on net position:

	<u>Beginning Balance</u>	<u>Change</u>	<u>Ending Balance</u>
ERS:			
Net pension liability	\$ (1,122,102)	\$ 514,156	\$ (607,946)
Deferred outflows of resources	1,248,863	(625,655)	623,208
Deferred inflows of resources	<u>(133,006)</u>	<u>23,722</u>	<u>(109,284)</u>
Total	\$ <u>(6,245)</u>	\$ <u>(87,777)</u>	\$ <u>(94,022)</u>

Note 7 Postemployment Benefits Other than Pensions

The Town follows GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." In the past, the Town reported the cost of its retiree health care postretirement benefits on a "pay-as-you-go" basis. The most recent full actuarial valuation of the Town Postretirement Medical Plans (Plan) was performed as of January 1, 2017 for the fiscal year ending December 31, 2017.

The Plan is a single-employer, defined benefit healthcare plan administered by the Town. The Plan provides medical, dental, vision and prescription drug benefits to eligible retirees and their spouses and can be amended by action of the Town subject to applicable collective bargaining and employment agreements. The Town assigns the authority to establish and amend benefit provisions to the Town Board for non-bargaining unit employees. The Plan does not issue a stand-alone financial report.

The contribution requirements of Plan members and the Town are established and may be amended by the Town Board. The Town Board has negotiated several collective bargaining agreements, which include obligations of Plan members and the Town. The required contribution is based on projected pay-as-you-go financing requirements. Plan members receiving benefits may be required to contribute to the Plan depending on their collective bargaining unit.

TOWN OF CORTLANDVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 7 Postemployment Benefits Other than Pensions - Continued

The Town'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 accumulate sufficient total accruals for all postretirement benefits when due.

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

Normal cost	\$ 321,563
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	<u>554,932</u>
Total Annual Required Contribution (ARC)	876,495
Interest on net OPEB liability	92,239
Adjustment to annual required contribution	<u>(153,433)</u>
Annual OPEB Cost (Expense)	815,301
Contributions made on behalf of employees (expected)	<u>(214,190)</u>
Increase in Net OPEB Obligation	601,111
Net OPEB Obligation - January 1, 2017	<u>2,305,969</u>
Net OPEB Obligation - December 31, 2017	<u><u>\$ 2,907,080</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2017 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2017	\$ 815,301	26.27%	\$ 2,907,080
12/31/2016	419,907	25.60%	2,305,969
12/31/2015	400,551	24.30%	1,993,365

As of December 31, 2017, the Plan was not funded. The actuarial accrued liability for benefits was \$8,019,380; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$2,133,472 and the ratio of UAAL to the covered payroll was 375.9%.

TOWN OF CORTLANDVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 7* Postemployment Benefits Other than Pensions - 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 January 1, 2017 Actuarial Valuation Report, 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. Actuarial assumptions included an annual discount rate of 4.00%. Additional actuarial assumptions included a dental and vision trend rate of 4.00% per year and an initial annual medical cost trend rate of 8.00%, reduced by decrements to an ultimate rate of 4.03% after 69 years.

***Note 8* Short-term Debt - Bond Anticipation Notes**

Notes issued in anticipation of proceeds from the subsequent sale of bonds are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of the bonds. Such notes may be classified as long-term debt when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance sheet issuance of long-term debt or by an acceptable financing agreement.

State law requires that bond anticipation notes (BANs) issued for capital purposes be converted to long-term financing within five years after the original issue date. The Town issues BANs to finance capital improvements.

TOWN OF CORTLANDVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 8* Short-term Debt - Bond Anticipation Notes - Continued**

Changes in short-term debt outstanding are as follows:

	Payable at 12/31/2016	Issued	Redeemed	Payable at 12/31/2017
Bond Anticipation Notes	\$ 2,076,000	\$ -	\$ (2,076,000)	\$ -

There were no BANs outstanding at December 31, 2017.

Interest expense on short-term debt for fiscal year 2017 was \$21,206. BANs redeemed from appropriations totaled \$10,000.

***Note 9* Long-term Debt**

At December 31, 2017, the total outstanding indebtedness of the Town aggregated \$7,667,100. Of this amount, \$540,000 was subject to the constitutional debt limit and represented 0.83% of its debt limit.

Serial Bonds and Notes

The Town 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 general Government-wide financial statements. The provision to be made in future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

TOWN OF CORTLANDVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 9 Long-term Debt - Continued

Debt Maturity Schedule

The following is a summary of bonds outstanding at December 31, 2017 with corresponding maturity schedules:

Description of Issue	Date Issued	Original Amount	Interest Rate	Final Maturity	Balance Outstanding
Polkville water improvements	2012	\$ 980,000	2.00%	2050	\$ 960,000
Town Hall building	2007	275,000	4.57%	2026	247,500
Town Hall expansion	2006	325,000	4.57%	2026	292,500
NYSEFC sewer improvements	2005	1,475,000	2.48%	2035	1,415,000
Sewer refunding	2004	110,464	2.50-4.00%	2020	81,743
Water refunding	2004	389,536	2.50-4.00%	2020	288,257
Sewer improvements	1982	12,400	5.00%	2019	8,100
Route 13 sewer project	2016	2,754,000	1.63%	2053	2,699,000
Public improvements	2017	1,675,000	2-3.00%	2032	1,675,000
Total					\$ 7,667,100

Interest paid on certain Serial Bonds varies from year to year, in accordance with the interest rates specified in bond agreements.

The following is a summary of maturing debt service requirements for general obligation bonds and notes:

Year	Bonds Principal	Bonds Interest	Total
2018	\$ 421,300	\$ 169,304	\$ 590,604
2019	426,800	158,054	584,854
2020	425,000	145,897	570,897
2021	305,000	139,021	444,021
2022	312,000	128,460	440,460
2023-2027	1,595,000	523,960	2,118,960
2028-2032	1,531,000	340,734	1,871,734
2033-2037	803,000	193,991	996,991
2038-2042	559,000	138,030	697,030
2043-2047	609,000	87,701	696,701
2048-2052	582,000	34,475	616,475
2053	98,000	1,593	99,593
Total	\$ 7,667,100	\$ 2,061,220	\$ 9,728,320

TOWN OF CORTLANDVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 9 Long-term Debt - Continued

Changes in Indebtedness

The following is a summary of changes in the Town's indebtedness for the year ended December 31, 2017:

Governmental Activities	Balance 12/31/2016	New Issues/ Additions	Maturities/ Payments	Balance 12/31/2017	Amount Due Within One Year
General obligation bonds	\$ 6,322,000	\$ 1,675,000	\$ (329,900)	\$ 7,667,100	\$ 421,300
Total	\$ 6,322,000	\$ 1,675,000	\$ (329,900)	\$ 7,667,100	\$ 421,300

Interest paid on short-term and long-term debt	\$ 160,937
Prior year accrued interest	(52,116)
Current year accrued interest	<u>57,100</u>
Interest Expense	\$ <u>165,921</u>

Note 10 Interfund Receivables and Payables

During the course of normal operations, the Town has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The Governmental Funds financial statements generally reflect such transactions as transfers.

The Town also 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.

Interfund receivable and payable balances at December 31, 2017 are as follows:

	Interfund Receivables	Interfund Payables	Interfund Revenue	Interfund Expense
General Fund - Townwide	\$	\$ 28,335	\$ 181,187	\$
General Fund - Parttown	254,731		254,730	
Water Fund	13,201		849	84,933
Sewer Fund	26,984			96,254
Capital Projects Fund		266,581		255,579
Total	\$ 294,916	\$ 294,916	\$ 436,766	\$ 436,766

TOWN OF CORTLANDVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 11 Reconciliation Between Restricted Fund Balance and Restricted Net Position

Restricted fund balance in Governmental Fund financial statements	\$ 1,578,134
Reconciling item: Special grant fund deferred inflows of resources	<u>479,396</u>
Restricted Net Position in the Government-Wide Financial Statements	<u>\$ 2,057,530</u>

Note 12 Fund Balance Detail

At December 31, 2017, nonspendable, restricted and assigned fund balance in the governmental funds was as follows:

	General Townwide Fund	General Parttown Fund	Highway Parttown Fund	Water Fund	Sewer Fund	Special Grant Fund	Total Non-Major Funds
Nonspendable							
Prepaid expenses	\$ 25,147	\$ 2,739	\$ 32,263	\$ 15,199	\$ 14,694	\$ -	\$ -
Total Nonspendable Fund Balance	<u>\$ 25,147</u>	<u>\$ 2,739</u>	<u>\$ 32,263</u>	<u>\$ 15,199</u>	<u>\$ 14,694</u>	<u>\$ -</u>	<u>\$ -</u>
Restricted							
Unemployment insurance reserve	\$ 83,600	\$	\$	\$	\$	\$	\$
Retirement contribution reserve	30,098	19,010	353	13,025	13,402		
Other		1,645				322,014	
Capital reserve			338,187	374,721	382,079		
Total Restricted Fund Balance	<u>\$ 113,698</u>	<u>\$ 20,655</u>	<u>\$ 338,540</u>	<u>\$ 387,746</u>	<u>\$ 395,481</u>	<u>\$ 322,014</u>	<u>\$ -</u>
Assigned							
Appropriated for next year's budget	\$ 151,893	\$ 420,000	\$ 940,000	\$ 23,614	\$ 128,038		\$ 275,062
Remaining fund balance		309,278	698,773	1,593,073	329,335		78
Total Assigned Fund Balance	<u>\$ 151,893</u>	<u>\$ 729,278</u>	<u>\$ 1,638,773</u>	<u>\$ 1,616,687</u>	<u>\$ 457,373</u>	<u>\$ -</u>	<u>\$ 275,140</u>

TOWN OF CORTLANDVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 13 Restricted Fund Balances

Portions of fund balance are restricted and are not available for current expenditures as reported in the Governmental Funds Balance Sheet. The balances and activity for the year ended December 31, 2017 of the Governmental Funds reserves were as follows:

Reserved Fund Balance	Beginning Balance	Additions	Interest Earned	Appropriated	Ending Balance
Insurance reserve	\$ 83,610	\$	\$ 17	\$ (27)	\$ 83,600
Retirement contribution fund reserve	135,863		25	(60,000)	75,888
Miscellaneous reserve	1,645				1,645
Capital reserve	1,003,984	90,800	203		1,094,987
Special grant fund	256,769	114,034		(48,789)	322,014
Total Restricted Fund Balance	\$ 1,481,871	\$ 204,834	\$ 245	\$ (108,816)	\$ 1,578,134

Note 14 Contingencies

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

The Town has several tax review proceedings pending. All of these proceedings are currently in negotiation and expected to be resolved; no adjustments have been made for potential refunds.

Note 15 Environmental Liability

The Town was designated a potentially responsible party by the New York State Department of Environmental Conservation (NYSDEC) for an inactive waste site located in the Town. The site was closed using grant funds at no cost to the Town. Monitoring of the site is estimated to cost \$1,250,000 over the next 25 years.

During the year, the Board authorized the Supervisor to sign an Order on Consent and Administrative Settlement received by the NYSDEC that requires the Town to undertake future costs stemming from the monitoring and maintenance of the site. No liability has been recorded in the financial statements due to the uncertainty regarding the amount for which the Town will be responsible.

Note 16 Stewardship, Compliance and Accountability

Deficit Fund Balance

At December 31, 2017, the Capital Projects Fund had a deficit fund balance of \$(166,573). This deficit will be eliminated as funds are transferred from other funds or from other sources.

TOWN OF CORTLANDVILLE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 17* Tax Abatements**

For the year ended December 31, 2017, the Town was subject to tax abatements negotiated by the Cortland County Industrial Development Agency (CCIDA). Abatement agreements entered into by CCIDA reduce property taxes collected by the Town.

Information relevant to disclosure of the program for the year ended December 31, 2017 is as follows:

<u>Tax Abatement Program</u>	<u>Amount of Taxes Abated</u>
Economic Development:	
Real Property Tax	\$ <u>21,144</u>
Total	\$ <u><u>21,144</u></u>

TOWN OF CORTLANDVILLE

BUDGETARY COMPARISON SCHEDULE GENERAL TOWNWIDE FUND - NON-GAAP BUDGET BASIS FOR THE YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Real property taxes	\$ 1,272,733	\$ 1,272,733	\$ 1,274,096	\$ 1,363
Real property tax items	50,000	50,000	49,148	(852)
Nonproperty tax items	102,000	102,000	112,812	10,812
Departmental income	2,500	2,500	3,195	695
Use of money and property			343	343
Licenses and permits	11,010	11,010	11,280	270
Fines and forfeitures	250,050	250,050	281,195	31,145
Sale of property and compensation for loss		32,444	64,887	32,443
Miscellaneous local sources			92	92
State sources	128,000	128,000	278,864	150,864
Federal sources	200	200	264	64
Total Revenues	1,816,493	1,848,937	2,076,176	227,239
EXPENDITURES				
Current:				
General governmental support	1,194,742	1,227,186	1,081,890	145,296
Public safety	74,000	74,000	64,170	9,830
Transportation	260,011	260,011	210,041	49,970
Economic assistance and opportunity	21,000	21,000	18,000	3,000
Culture and recreation	5,430	5,430	300	5,130
Home and community services	19,000	19,000	4,508	14,492
Employee benefits	486,890	486,890	395,642	91,248
Debt service (principal and interest)	88,320	88,320	88,320	-
Total Expenditures	2,149,393	2,181,837	1,862,871	318,966
Excess of (Expenditures) Revenues	(332,900)	(332,900)	213,305	546,205
OTHER FINANCING SOURCES				
Interfund transfers in	181,007	181,007	181,187	180
Total Other Financing Sources	181,007	181,007	181,187	180
Excess of (Expenditures) and Other (Uses) Over Revenues and Other Financing Sources	(151,893)	(151,893)	394,492	<u><u>\$ 546,385</u></u>
Appropriated Fund Balance	151,893	151,893		
Net Change in Fund Balance	\$ -	\$ -	394,492	
Fund Balance, Beginning			1,072,417	
Fund Balance, Ending			<u><u>\$ 1,466,909</u></u>	

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

TOWN OF CORTLANDVILLE

BUDGETARY COMPARISON SCHEDULE GENERAL PARTTOWN FUND - NON-GAAP BUDGET BASIS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Real property taxes	\$ 52,626	\$ 52,626	\$ 52,626	\$ -
Nonproperty tax items	250,000	250,000	250,000	-
Departmental income	46,055	46,055		(46,055)
Intergovernmental charges			62,449	62,449
Licenses and permits			5,192	5,192
Interfund revenues			(1,653)	(1,653)
State sources	19,000	19,000	35,660	16,660
Total Revenues	367,681	367,681	404,274	36,593
EXPENDITURES				
Current:				
General governmental support	69,000	69,000	44,802	24,198
Public safety	20,000	20,000	19,824	176
Public health	3,000	3,000	2,369	631
Culture and recreation	401,904	401,904	341,637	60,267
Home and community services	196,746	196,746	141,283	55,463
Employee benefits	97,031	97,031	83,625	13,406
Total Expenditures	787,681	787,681	633,540	154,141
Excess of (Expenditures) Revenues	(420,000)	(420,000)	(229,266)	\$ 190,734
OTHER FINANCING SOURCES (USES)				
Interfund transfers in			254,730	254,730
Total Other Financing Sources	-	-	254,730	254,730
Excess of (Expenditures) and Other (Uses) Over Revenues and Other Financing Sources	(420,000)	(420,000)	25,464	\$ <u>445,464</u>
Appropriated Reserve				
Appropriated Fund Balance	420,000	420,000		
Net Change in Fund Balance	\$ -	\$ -	25,464	
Fund Balance, Beginning			752,672	
Fund Balance, Ending			\$ <u>778,136</u>	

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

TOWN OF CORTLANDVILLE

BUDGETARY COMPARISON SCHEDULE HIGHWAY PARTTOWN - NON-GAAP BUDGET BASIS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Real property taxes	\$ 416,029	\$ 416,029	\$ 416,029	\$ -
Nonproperty tax items	<u>1,970,000</u>	<u>1,970,000</u>	<u>2,204,641</u>	<u>234,641</u>
Use of money and property	<u>250</u>	<u>250</u>	<u>347</u>	<u>97</u>
Sale of property and compensation for loss	<u>16,000</u>	<u>16,000</u>	<u>47,917</u>	<u>31,917</u>
State sources	<u>189,000</u>	<u>189,000</u>	<u>219,285</u>	<u>30,285</u>
Total Revenues	<u>2,591,279</u>	<u>2,591,279</u>	<u>2,888,219</u>	<u>296,940</u>
EXPENDITURES				
Current:				
Transportation	<u>3,007,999</u>	<u>3,007,999</u>	<u>2,309,735</u>	<u>698,264</u>
Employee benefits	<u>533,280</u>	<u>533,280</u>	<u>400,130</u>	<u>133,150</u>
Total Expenditures	<u>3,541,279</u>	<u>3,541,279</u>	<u>2,709,865</u>	<u>831,414</u>
Excess of (Expenditures) Revenues	<u>(950,000)</u>	<u>(950,000)</u>	<u>178,354</u>	<u>1,128,354</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers (out)	<u>(50,000)</u>	<u>(50,000)</u>	<u> </u>	<u>50,000</u>
Total Other Financing (Uses) Sources	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>
Excess of (Expenditures) and Other (Uses) Over Revenues and Other Financing Sources	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>178,354</u>	<u>\$ 1,178,354</u>
Appropriated Reserve	<u>60,000</u>	<u> </u>		
Appropriated Fund Balance	<u>940,000</u>	<u>1,000,000</u>		
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>178,354</u>	
Fund Balance, Beginning			<u>1,831,222</u>	
Fund Balance, Ending			<u>\$ 2,009,576</u>	

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

TOWN OF CORTLANDVILLE

BUDGETARY COMPARISON SCHEDULE WATER FUND - NON-GAAP BUDGET BASIS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Real property taxes	\$ 183,119	\$ 183,119	\$ 183,119	\$ -
Departmental income	<u>715,148</u>	<u>715,148</u>	<u>679,370</u>	<u>(35,778)</u>
Use of money and property	<u>200</u>	<u>200</u>	<u>621</u>	<u>421</u>
Miscellaneous local sources	<u></u>	<u></u>	<u>8,630</u>	<u>8,630</u>
Total Revenues	<u>898,467</u>	<u>898,467</u>	<u>871,740</u>	<u>(26,727)</u>
EXPENDITURES				
Current:				
General governmental support	<u>10,000</u>	<u>10,000</u>	<u></u>	<u>10,000</u>
Home and community services	<u>530,035</u>	<u>530,035</u>	<u>318,368</u>	<u>211,667</u>
Employee benefits	<u>113,994</u>	<u>113,994</u>	<u>94,700</u>	<u>19,294</u>
Debt service (principal and interest)	<u>168,119</u>	<u>168,119</u>	<u>168,117</u>	<u>2</u>
Total Expenditures	<u>822,148</u>	<u>822,148</u>	<u>581,185</u>	<u>240,963</u>
Excess of Revenues	<u>76,319</u>	<u>76,319</u>	<u>290,555</u>	<u>214,236</u>
OTHER FINANCING (USES) SOURCES				
Interfund transfers in	<u></u>	<u></u>	<u>849</u>	<u>849</u>
Interfund transfers (out)	<u>(99,933)</u>	<u>(99,933)</u>	<u>(84,933)</u>	<u>15,000</u>
Total Other Financing (Uses) Sources	<u>(99,933)</u>	<u>(99,933)</u>	<u>(84,084)</u>	<u>15,849</u>
Excess of (Expenditures) and Other (Uses) Over Revenues and Other Financing Sources	\$ <u>(23,614)</u>	\$ <u>(23,614)</u>	<u>206,471</u>	\$ <u><u><u>230,085</u></u></u>
Appropriated Reserve	<u></u>	<u></u>		
Appropriated Fund Balance	<u>23,614</u>	<u>23,614</u>		
Net Change in Fund Balance	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	<u>206,471</u>	
Fund Balance, Beginning			<u>1,813,161</u>	
Fund Balance, Ending			\$ <u><u><u>2,019,632</u></u></u>	

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

TOWN OF CORTLANDVILLE

BUDGETARY COMPARISON SCHEDULE SEWER FUND - NON-GAAP BUDGET BASIS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Real property tax items	\$ 325,353	\$ 325,353	\$	\$ (325,353)
Departmental income	<u>789,077</u>	<u>789,077</u>	<u>750,633</u>	<u>(38,444)</u>
Intergovernmental charges	<u>726</u>	<u>726</u>	<u>726</u>	<u>-</u>
Use of money and property	<u>100</u>	<u>100</u>	<u>327</u>	<u>227</u>
Miscellaneous local sources	<u></u>	<u></u>	<u>9,350</u>	<u>9,350</u>
Total Revenues	<u>1,115,256</u>	<u>1,115,256</u>	<u>1,086,389</u>	<u>(28,867)</u>
EXPENDITURES				
Current:				
General governmental support	<u>10,000</u>	<u>10,000</u>	<u></u>	<u>10,000</u>
Home and community services	<u>776,920</u>	<u>776,920</u>	<u>647,351</u>	<u>129,569</u>
Employee benefits	<u>48,207</u>	<u>48,207</u>	<u>30,598</u>	<u>17,609</u>
Debt service (principal and interest)	<u>286,113</u>	<u>286,113</u>	<u>244,400</u>	<u>41,713</u>
Total Expenditures	<u>1,121,240</u>	<u>1,121,240</u>	<u>922,349</u>	<u>198,891</u>
Excess of (Expenditures) Revenues	<u>(5,984)</u>	<u>(5,984)</u>	<u>164,040</u>	<u>170,024</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers (out)	<u>(122,054)</u>	<u>(122,054)</u>	<u>(96,254)</u>	<u>25,800</u>
Total Other Financing Sources (Uses)	<u>(122,054)</u>	<u>(122,054)</u>	<u>(96,254)</u>	<u>25,800</u>
Excess of (Expenditures) and Other Financing (Uses) Over Revenues and Other Financing Sources	<u>(128,038)</u>	<u>(128,038)</u>	<u>67,786</u>	<u>\$ 195,824</u>
Appropriated Reserve	<u></u>	<u></u>		
Appropriated Fund Balance	<u>128,038</u>	<u>128,038</u>		
Net Change in Fund Balance	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	<u>67,786</u>	
Fund Balance, Beginning			<u>799,762</u>	
Fund Balance, Ending			<u>\$ 867,548</u>	

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

TOWN OF CORTLANDVILLE

SCHEDULE OF FUNDING PROGRESS FOR THE YEAR ENDED DECEMBER 31, 2017

Actuarial Valuation Date	Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2017	2017	\$ -	\$ 8,019,380	\$ 8,019,380	0.0%	\$ 2,133,472	375.9%
1/1/2014	2016	-	4,413,487	4,413,487	0.0%	2,116,847	208.5%
1/1/2014	2015	-	4,178,273	4,178,273	0.0%	2,168,755	192.7%
1/1/2014	2014	-	3,946,970	3,946,970	0.0%	2,167,774	182.1%
1/1/2012	2013	-	4,211,134	4,211,134	0.0%	2,060,834	204.3%
1/1/2012	2012	-	3,957,241	3,957,241	0.0%	2,133,962	185.4%

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

TOWN OF CORTLANDVILLE

SCHEDULE OF THE TOWN'S CONTRIBUTIONS NYSLRS PENSION PLAN FOR THE YEARS ENDED DECEMBER 31,

	2017	2016
Contractually required contribution	\$ 275,760	\$ 354,575
Contributions in relation to the contractually required contribution	(275,760)	(354,575)
Contribution deficiency (excess)	-	-
Town's covered - employee payroll	1,841,476	1,824,459
Contributions as a percentage of covered - employee payroll	14.97%	19.43%

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

2015	2014	2013	2012	2011	2010	2009	2008
\$ 374,517	\$ 354,583	\$ 329,969	\$ 330,497	\$ 205,690	\$ 126,990	\$ -	\$ -
(374,517)	(354,583)	(329,969)	(330,497)	(205,690)	(126,990)	-	-
-	-	-	-	-	-	-	-
1,886,537	1,841,761	1,789,298	1,343,189	-	-	-	-
19.85%	19.25%	18.44%	24.61%	0.00%	0.00%	0.00%	0.00%

TOWN OF CORTLANDVILLE

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEARS ENDED DECEMBER 31,

	2017	2016	2015
Town's proportion of the net pension liability	0.0064701%	0.0069912%	0.0067653%
Town's proportionate share of the net pension liability	\$ 607,946	\$ 1,122,102	228,548
Town's covered-employee payroll	1,841,476	1,824,459	1,886,537
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	33.0%	61.5%	12.1%
Plan fiduciary net position as a percentage of the total pension liability	90.7%	90.7%	97.9%

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

TOWN OF CORTLANDVILLE

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

***Note 1* Budget Basis of Accounting**

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

***Note 2* Budget Policies**

Budget policies are as follows:

- Annual operating budgets are maintained for the following Governmental Fund Types:
 - General Funds
 - Special Revenue Funds (Highway, Water, and Sewer Funds)

The Special Grant Fund does not have an annual budget because individual projects have separate budgets, which are not prepared on an annual basis.

No later than September 15, the budget officer submits a tentative budget to the Town Board for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.

After public hearings are conducted to obtain taxpayer comments, no later than October 15, the governing board adopts the budget.

Annual budgets adopted represent the legal limit on expenditures for that period. At the end of each year unexpended, unencumbered appropriations lapse. Encumbered appropriations do not lapse and are carried forward.

Expenditures may not legally exceed appropriations at the fund level.

All modifications of the budget must be approved by the Town Board.

The Town Board may increase the appropriations budget during the fiscal year where additional revenues or expenditures not involved in the original adopted budget are identified.

***Note 3* Reconciliation of the Budget Basis to GAAP**

No adjustment is necessary to convert the excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis, as there were no encumbrances recorded at December 31, 2017.

TOWN OF CORTLANDVILLE

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

Note 4 **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.

Note 5 **Schedules of the Town's Proportionate Share of the Net Pension Liability**

The Schedules of the Town's Proportionate Share of the Net Pension Liability, required supplementary information, present three years of information. These schedules will present ten years of information as it becomes available from the pension plans.

Note 6 **Schedules of Town's Contributions - NYSLRS Pension Plans and Schedules of the Town's Proportionate Share of the Net Pension Liability**

The Schedules of Town's Contributions presents partial information, and will present ten years of information as it becomes available.

NYSLRS

Changes in Benefit Terms

There were no significant legislative changes in benefits for the April 1, 2016 actuarial valuation.

Changes of Assumptions

There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2016 actuarial valuation.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2016 actuarial valuation determines the employer rates for contributions payable in fiscal year 2017. The following actuarial methods and assumptions were used:

Actuarial cost method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort.
Asset valuation period	5 year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return.
Inflation	2.5%
Salary scale	3.8% in ERS, indexed by service.
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation.
Cost of living adjustments	1.3% annually

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

Town Council
Town of Cortlandville
Cortland, 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 governmental activities, each major fund, and the aggregate remaining fund information of the Town of Cortlandville, (the Town), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated July 2, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 Town's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

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

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
July 2, 2018