

VILLAGE OF Wellsville  
Annual Update Document  
For the Fiscal Year Ending 2007

(H) CAPITAL PROJECTS

Balance Sheet

Code Description	2006	EdpCode	2007
<b>Assets</b>			
Cash	354,939	H200	374,675
<b>TOTAL Cash</b>	<b>354,939</b>		<b>374,675</b>
<b>TOTAL Assets</b>	<b>354,939</b>		<b>374,675</b>

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(H) CAPITAL PROJECTS

Balance Sheet

Code Description	2006	EdpCode	2007
<b>Liabilities And Fund Equity</b>			
Bond Anticipation Notes Payable Additional Description BAN RETIRED 3/29/2007	757,246	H626	
<b>TOTAL Notes Payable</b>	<b>757,246</b>		<b>0</b>
Due To Other Funds		H630	300,000
<b>TOTAL Due To Other Funds</b>	<b>0</b>		<b>300,000</b>
<b>TOTAL Liabilities</b>	<b>757,246</b>		<b>300,000</b>
Unreserved Fund Balance Unappropriated	-402,307	H911	74,675
<b>TOTAL Unreserved Fund Balance - Unappropriated</b>	<b>-402,307</b>		<b>74,675</b>
<b>TOTAL Fund Equity</b>	<b>-402,307</b>		<b>74,675</b>
<b>TOTAL Liabilities And Fund Equity</b>	<b>354,939</b>		<b>374,675</b>

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(H) CAPITAL PROJECTS

Results of Operation

Code Description	2006	EdpCode	2007
<b>Detail Revenues And Other Sources</b>			
Misc Revenue, Other Govts	8,841	H2389	18,935
<b>TOTAL Intergovernmental Charges</b>	<b>8,841</b>		<b>18,935</b>
Interest And Earnings	802	H2401	800
<b>TOTAL Use of Money And Property</b>	<b>802</b>		<b>800</b>
Refunds of Prior Year's Expenditures		H2701	39,001
<b>TOTAL Miscellaneous Local Sources</b>	<b>0</b>		<b>39,001</b>
<b>TOTAL Revenues</b>	<b>9,643</b>		<b>58,736</b>
Serial Bonds		H5710	325,000
Bans Redeemed From Appropriations	230,754	H5731	93,246
<b>TOTAL Proceeds of Obligations</b>	<b>230,754</b>		<b>418,246</b>
<b>TOTAL Other Sources</b>	<b>230,754</b>		<b>418,246</b>
<b>TOTAL Detail Revenues And Other Sources</b>	<b>240,397</b>		<b>476,982</b>

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(H) CAPITAL PROJECTS

Results of Operation

Code Description	2006	EdpCode	2007
<b>Detail Expenditures And Other Uses</b>			
Fiscal Agents Fees, Contr Expend	7,510	H13804	
<b>TOTAL Fiscal Agents Fees</b>	<b>7,510</b>		<b>0</b>
<b>TOTAL General Government Support</b>	<b>7,510</b>		<b>0</b>
Debt Principal, Bond Anticipation Notes		H97306	
<b>TOTAL Debt Principal</b>	<b>0</b>		<b>0</b>
<b>TOTAL Expenditures</b>	<b>7,510</b>		<b>0</b>
<b>TOTAL Detail Expenditures And Other Uses</b>	<b>7,510</b>		<b>0</b>

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(H) CAPITAL PROJECTS

Changes in Fund Equity

Code Description	2006	EdpCode	2007
<b>ANALYSIS OF CHANGES IN FUND EQUITY</b>			
Fund Equity - Beginning of Year	-635,267	H8021	-402,380
Prior Period Adj.- Increase In Fund Equity		H8012	73
Prior Period Adj - Decrease In Fund Equity		H8015	
<b>Restated Fund Equity - Beg of Year</b>	<b>-635,267</b>	<b>H8022</b>	<b>-402,307</b>
ADD - REVENUES AND OTHER SOURCES	240,397		476,982
DEDUCT - EXPENDITURES AND OTHER USES	7,510		
<b>Fund Equity - End of Year</b>	<b>-402,380</b>	<b>H8029</b>	<b>74,675</b>

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(K) GENERAL FIXED ASSETS

Balance Sheet

Code Description	2006	EdpCode	2007
<b>Assets</b>			
Land	385,381	K101	
Buildings	10,017,227	K102	
Machinery & Equipment	2,987,871	K104	
<b>TOTAL Fixed Assets (net)</b>	<b>13,390,479</b>		<b>0</b>
<b>TOTAL Assets</b>	<b>13,390,479</b>		<b>0</b>

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(K) GENERAL FIXED ASSETS

Balance Sheet

Code Description	2006	EdpCode	2007
<b>Liabilities And Fund Equity</b>			
Total Non-Current Govt Assets	13,390,479	K159	
<b>TOTAL Investments in Non-Current Government Assets</b>	<b>13,390,479</b>		<b>0</b>
<b>TOTAL Fund Equity</b>	<b>13,390,479</b>		<b>0</b>
<b>TOTAL Liabilities And Fund Equity</b>	<b>13,390,479</b>		<b>0</b>

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(MS) SELF INSURANCE

Balance Sheet

Code Description	2006	EdpCode	2007
<b>Assets</b>			
Cash	39,162	MS200	
<b>TOTAL Cash</b>	<b>39,162</b>		<b>0</b>
<b>TOTAL Assets</b>	<b>39,162</b>		<b>0</b>

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(MS) SELF INSURANCE

Balance Sheet

Code Description	2006	EdpCode	2007
<b>Liabilities And Fund Equity</b>			
Net Assets-Unrestricted (deficit)	39,162	MS924	
<b>TOTAL Retained Earnings</b>	<b>39,162</b>		<b>0</b>
<b>TOTAL Fund Equity</b>	<b>39,162</b>		<b>0</b>
<b>TOTAL Liabilities And Fund Equity</b>	<b>39,162</b>		<b>0</b>

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(MS) SELF INSURANCE

Results of Operation

Code Description	2006	EdpCode	2007
<b>Non Operating Revenue</b>			
Interest And Earnings	100	MS2401	
<b>TOTAL Use of Money And Property</b>	<b>100</b>		<b>0</b>
Other Miscellaneous	1,958	MS2770	
<b>TOTAL Other</b>	<b>1,958</b>		<b>0</b>
<b>TOTAL Revenues</b>	<b>2,058</b>		<b>0</b>
<b>TOTAL Non Operating Revenue</b>	<b>2,058</b>		<b>0</b>

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(MS) SELF INSURANCE

Results of Operation

Code Description	2006	EdpCode	2007
<b>Expenses And Transfers</b>			
Judgements & Claims	2,676	MS19304	
<b>TOTAL Judgements &amp; Claims</b>	<b>2,676</b>		<b>0</b>
<b>TOTAL Contractual Expenses</b>	<b>2,676</b>		<b>0</b>
<b>TOTAL Expenses</b>	<b>2,676</b>		<b>0</b>
<b>TOTAL Expenses And Transfers</b>	<b>2,676</b>		<b>0</b>

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(MS) SELF INSURANCE

Changes in Fund Equity

Code Description	2006	EdpCode	2007
<b>ANALYSIS OF CHANGES IN FUND EQUITY</b>			
Fund Equity-Beginning of Year		MS8021	39,161
Prior Period Adj-Increase To Fund Equity	39,779	MS8012	
Prior Period Adj-Decrease To Fund Equity		MS8015	39,161
Restated Fund Equity - Beg of Year	39,779	MS8022	
ADD - REVENUES AND OTHER SOURCES	2,058		
DEDUCT - EXPENDITURES AND OTHER USES	2,676		
Fund Equity - End of Year	39,161	MS8029	

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Cash Flow

Code Description	2006	EdpCode	2007
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(PN) PERMANENT

Balance Sheet

Code Description	2006	EdpCode	2007
<b>Assets</b>			
Cash	336,900	PN200	306,999
<b>TOTAL Cash</b>	<b>336,900</b>		<b>306,999</b>
<b>TOTAL Assets</b>	<b>336,900</b>		<b>306,999</b>

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(PN) PERMANENT

Balance Sheet

Code Description	2006	EdpCode	2007
<b>Liabilities And Fund Equity</b>			
Unreserved Fund Balance Appropriated	336,900	PN910	306,999
<b>TOTAL Unreserved Fund Balance - Appropriated</b>	<b>336,900</b>		<b>306,999</b>
<b>TOTAL Fund Equity</b>	<b>336,900</b>		<b>306,999</b>
<b>TOTAL Liabilities And Fund Equity</b>	<b>336,900</b>		<b>306,999</b>

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(PN) PERMANENT

Results of Operation

Code Description	2006	EdpCode	2007
<b>Detail Revenues And Other Sources</b>			
Interest And Earnings	241,441	PN2401	717
<b>TOTAL Use of Money And Property</b>	<b>241,441</b>		<b>717</b>
<b>TOTAL Revenues</b>	<b>241,441</b>		<b>717</b>
<b>TOTAL Detail Revenues And Other Sources</b>	<b>241,441</b>		<b>717</b>

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(PN) PERMANENT

Results of Operation

Code Description	2006	EdpCode	2007
<b>Detail Expenditures And Other Uses</b>			
Other Employee Benefits (specify)	41,036	PN90898	30,618
<b>TOTAL Employee Benefits</b>	<b>41,036</b>		<b>30,618</b>
<b>TOTAL Expenditures</b>	<b>41,036</b>		<b>30,618</b>
<b>TOTAL Detail Expenditures And Other Uses</b>	<b>41,036</b>		<b>30,618</b>

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(PN) PERMANENT

Changes in Fund Equity

Code Description	2006	EdpCode	2007
<b>ANALYSIS OF CHANGES IN FUND EQUITY</b>			
Fund Equity-Beginning of Year	136,495	PN8021	336,900
Prior Period Adj-Increase To Fund Equity		PN8012	0
Restated Fund Equity - Beg of Year	136,495	PN8022	336,900
ADD - REVENUES AND OTHER SOURCES	241,441		717
DEDUCT - EXPENDITURES AND OTHER USES	41,036		30,618
Fund Equity-End of Year	336,900	PN8029	306,999

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(TA) AGENCY

Balance Sheet

Code Description	2006	EdpCode	2007
<b>Assets</b>			
Cash	9,269	TA200	129,999
<b>TOTAL Cash</b>	<b>9,269</b>		<b>129,999</b>
Due From Other Funds		TA391	6,760
<b>TOTAL Due From Other Funds</b>	<b>0</b>		<b>6,760</b>
<b>TOTAL Assets</b>	<b>9,269</b>		<b>136,759</b>

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(TA) AGENCY

Balance Sheet

Code Description	2006	EdpCode	2007
<b>Liabilities And Fund Equity</b>			
Due To Other Funds		TA630	48,957
<b>TOTAL Due To Other Funds</b>	<b>0</b>		<b>48,957</b>
Consolidated Payroll		TA10	
State Retirement	3,230	TA18	1,141
Group Insurance	6,039	TA20	54,983
Income Executions		TA23	4,826
Assoc & Union Dues		TA24	540
Other Funds (specify)		TA85	26,314
<b>TOTAL Agency Liabilities</b>	<b>9,269</b>		<b>87,803</b>
<b>TOTAL Liabilities</b>	<b>9,269</b>		<b>136,759</b>
<b>TOTAL Liabilities And Fund Equity</b>	<b>9,269</b>		<b>136,759</b>

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(W) GENERAL LONG-TERM DEBT

Balance Sheet

Code Description	2006	EdpCode	2007
<b>Assets</b>			
Total Non-Current Govt Liabilities	4,533,242	W129	4,723,058
<b>TOTAL Provision To Be Made In Future Budgets</b>	<b>4,533,242</b>		<b>4,723,058</b>
<b>TOTAL Assets</b>	<b>4,533,242</b>		<b>4,723,058</b>

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(W) GENERAL LONG-TERM DEBT

Balance Sheet

Code Description	2006	EdpCode	2007
<b>Liabilities And Fund Equity</b>			
Compensated Absences	577,202	W687	549,734
<b>TOTAL Other Liabilities</b>	<b>577,202</b>		<b>549,734</b>
Due To Employees' Retirement System	314,407	W637	50,824
<b>TOTAL Due To Other Governments</b>	<b>314,407</b>		<b>50,824</b>
Bonds Payable	3,641,633	W628	4,122,500
<b>TOTAL Bond And Long Term Liabilities</b>	<b>3,641,633</b>		<b>4,122,500</b>
<b>TOTAL Liabilities</b>	<b>4,533,242</b>		<b>4,723,058</b>
<b>TOTAL Liabilities And Fund Equity</b>	<b>4,533,242</b>		<b>4,723,058</b>

VILLAGE OF Wellsville  
Financial Comments  
For the Fiscal Year Ending 2007

(A) GENERAL

Adjustment Reason

Account Code A8012 Prior Period adjustment determined by outside auditors Freed, Maxick & Battaglia as of 5/31/2007.  
Account Code A8015 Adjustments due to correctly reserve account balances to actual.

(CD) SPECIAL GRANT

Adjustment Reason

Account Code CD8015 Prior Period Adjustment Made By Outside Auditors Freed, Maxick & Battaglia of 19,500 and  
Adjustment made at year-end to balance fund 7,999.42  
Account Code CD8012 Adjustment made by Freed, Maxick & Battaglia 053107

(CL) REFUSE AND GARBAGE

Adjustment Reason

Account Code CL8012 Rounding Adjustment

(CT) TRANSPORTATION

Adjustment Reason

Account Code CT8015 Fund consolidated with General (A) Fund.

(FX) WATER

Adjustment Reason

Account Code FX8012 Amount recorded as reserve for repairs not previously recognized.  
Account Code FX8015 Adjustment made by Freed, Maxick & Battaglia

(G) SEWER

Adjustment Reason

Account Code G8012 Prior period adjustments by Freed, Maxick & Battaglia of 44,052.00, and additional adjustments by  
outside advisors in 2007 of 18,383.45 to balance books.  
Account Code G8015 Current year reconciliation of bank statement.

(PN) PERMANENT

Adjustment Reason

Account Code PN8012 Rounding adjustment to balance fund.

(H) CAPITAL PROJECTS

Adjustment Reason

Account Code H8015 Prior adjustment made by Freed, Maxick & Battaglia  
Account Code H8012 Retirement of BAN with Serial Bond 3/29/2007

(EE) ENTERPRISE UTILITY

Adjustment Reason

Account Code EE8015 Adjustments made by Freed, Maxick & Battaglia as of 5/31/2006 and adjustment to actual cash  
balances.  
Account Code EE8012 Adj from Freed, Maxick & Battaglia audit 053107

(EL) ENTERPRISE REFUSE/GARBAGE

Adjustment Reason

Account Code EL8012 Adjusted Fund Equity per Freed, Maxick & Battaglia 2006 audit.

(MS) SELF INSURANCE

Adjustment Reason

Account Code MS8015 Village is not Self-Insured the prior period entries were in error per audit by Freed, Maxick &  
Battaglia

VILLAGE OF Wellsville  
Statement of Indebtedness  
For the Fiscal Year Ending 2007

Water and Other Purposes Exempt From Constitutional Debt Limit

Bond Anticipation Note No. 2005000001	EDPCODE	Amount
Month and Year of Issue		4/1/2005
Purpose of Issue		MISC
Current Interest Rate		2.8800
Outstanding Beginning of Year	2P18661	757,246
Prior Year Adjustment		0
Issued During the Fiscal Year		
(do not include renewals here)	2P18663	0
Paid During the Fiscal Year		
(do not include renewals here)	2P18665	757,246
Outstanding End of the Fiscal Year	2P18667	0
Final Maturity Date		4/1/2006

Total Bond Anticipation Note		Amount
Outstanding Beginning of Year		757,246
Prior Year Adjustment		0
Issued During Fiscal Year		0
Paid During Fiscal Year		757,246
Outstanding End of Year		0
*** Bond Anticipation Notes Redeemed		
From Bond Proceeds During Fiscal Year	2P18885	625,000

VILLAGE OF Wellsville  
Statement of Indebtedness  
For the Fiscal Year Ending 2007

Water and Other Purposes Exempt From Constitutional Debt Limit

Bond No. 2004000004	EDPCODE	Amount
Month and Year of Issue		5/15/1991
Purpose of Issue		Water Plant
Current Interest Rate		6.8000
Outstanding Beginning of Year	2P18671	1,450,000
Prior Year Adjustment		0
Issued During the Fiscal Year		
(do not include renewals here)	2P18673	0
Paid During the Fiscal Year		
(do not include renewals here)	2P18675	125,000
Outstanding End of the Fiscal Year	2P18677	1,325,000
Final Maturity Date		5/15/2016

Bond No. 2004000009	EDPCODE	Amount
Month and Year of Issue		5/29/2002
Purpose of Issue		RESERVOIR
Current Interest Rate		4.5000
Outstanding Beginning of Year	2P18671	1,770,000
Prior Year Adjustment		0
Issued During the Fiscal Year		
(do not include renewals here)	2P18673	0
Paid During the Fiscal Year		
(do not include renewals here)	2P18675	22,500
Outstanding End of the Fiscal Year	2P18677	1,747,500
Final Maturity Date		5/29/2040

Bond No. 2004000003	EDPCODE	Amount
Month and Year of Issue		10/15/1998
Purpose of Issue		Sewer System
Current Interest Rate		4.5000
Outstanding Beginning of Year	2P18671	775,000
Prior Year Adjustment		0
Issued During the Fiscal Year		
(do not include renewals here)	2P18673	0
Paid During the Fiscal Year		
(do not include renewals here)	2P18675	50,000
Outstanding End of the Fiscal Year	2P18677	725,000
Final Maturity Date		10/15/2019

Total Bond		Amount
Outstanding Beginning of Year		3,995,000
Prior Year Adjustment		0
Issued During Fiscal Year		0
Paid During Fiscal Year		197,500
Outstanding End of Year		3,797,500

0

VILLAGE OF Wellsville  
Statement of Indebtedness  
For the Fiscal Year Ending 2007

Indebtedness Not Exempt From Constitutional Debt Limit

Bond No. 2007000002	EDPCODE	Amount
Month and Year of Issue		3/29/2007
Purpose of Issue		General
Current Interest Rate		4.3000
Outstanding Beginning of Year	2P18771	0
Prior Year Adjustment		0
Issued During the Fiscal Year		
(do not include renewals here)	2P18773	325,000
Paid During the Fiscal Year		
(do not include renewals here)	2P18775	0
Outstanding End of the Fiscal Year	2P18777	325,000
Final Maturity Date		3/15/2018

Bond No. 2007000001	EDPCODE	Amount
Month and Year of Issue		3/29/2007
Purpose of Issue		Electric
Current Interest Rate		4.3000
Outstanding Beginning of Year	2P18771	0
Prior Year Adjustment		0
Issued During the Fiscal Year		
(do not include renewals here)	2P18773	300,000
Paid During the Fiscal Year		
(do not include renewals here)	2P18775	0
Outstanding End of the Fiscal Year	2P18777	300,000
Final Maturity Date		3/15/2019

Total Bond		Amount
Outstanding Beginning of Year		0
Prior Year Adjustment		0
Issued During Fiscal Year		625,000
Paid During Fiscal Year		0
Outstanding End of Year		625,000

0

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Total of All Indebtedness  
Includes Total of Bonds and Notes - Exempt and Not Exempt

Total Bond		Amount
Outstanding Beginning of Year		4,752,246
Prior Year Adjustment		0
Issued During Fiscal Year		625,000
Paid During Fiscal Year		954,746
Outstanding End of Year		4,422,500

VILLAGE OF Wellsville  
Maturity Schedule  
For the Fiscal Year Ending 2007

For Bonds Issued During The Fiscal Year Ended 2007

	EDPCODE	
Indebtedness No.		2007000001
Purpose of Issue		Electric
For State Comptroller Use Only	2P3CE	
Total Principal	2P3PR	300,000
Date of Issue	2P3DT	3/29/2007
Interest Rate	2P3PC	4.30000
Final Maturity Date	2P3DM	3/15/2019
Amount of Principal Redeemed in or to be Redeemed in Fiscal Year ending in (The Last Two Digits of the EDP Code Correspond to the Fiscal Year Ended)		
	2P308	35,000
	2P309	20,000
	2P310	20,000
	2P311	25,000
	2P312	25,000
	2P313	25,000
	2P314	25,000
	2P315	25,000
	2P316	25,000
	2P317	25,000
	2P318	25,000
	2P319	25,000

VILLAGE OF Wellsville  
Maturity Schedule  
For the Fiscal Year Ending 2007

For Bonds Issued During The Fiscal Year Ended 2007

	EDPCODE	
Indebtedness No.		2007000002
Purpose of Issue		General
For State Comptroller Use Only	2P3CE	
Total Principal	2P3PR	325,000
Date of Issue	2P3DT	3/29/2007
Interest Rate	2P3PC	4.30000
Final Maturity Date	2P3DM	3/15/2018
Amount of Principal Redeemed in or to be Redeemed in Fiscal Year ending in (The Last Two Digits of the EDP Code Correspond to the Fiscal Year Ended)		
	2P308	90,000
	2P309	20,000
	2P310	20,000
	2P311	20,000
	2P312	25,000
	2P313	25,000
	2P314	25,000
	2P315	25,000
	2P316	25,000
	2P317	25,000
	2P318	25,000

VILLAGE OF Wellsville  
 Schedule of Time Deposits and Investments  
 For the Fiscal Year Ending 2007

	EDP Code	Amount
<b>CASH:</b>		
On Hand	9Z2001	\$900.00
Demand Deposits	9Z2011	\$190,312.00
Time Deposits	9Z2021	\$2,014,318.00
<b>Total</b>		\$2,205,530.00
 <b>COLLATERAL:</b>		
- FDIC Insurance	9Z2014	\$390,312.00
Collateralized with securities held in possession of municipality or its agent	9Z2014A	\$3,591,041.00
<b>Total</b>		\$3,981,353.00
 <b>INVESTMENTS:</b>		
- Securities (450)		
Book Value (cost)	9Z4501	_____
Market Value at Balance Sheet Date	9Z4502	_____
Collateralized with securities held in possession of municipality or its agent	9Z4504A	_____
 - Repurchase Agreements (451)		
Book Value (cost)	9Z4511	_____
Market Value at Balance Sheet Date	9Z4512	_____
Collateralized with securities held in possession of municipality or its agent	9Z4514A	_____

VILLAGE OF Wellsville  
Bank Reconciliation  
For the Fiscal Year Ending 2007

Include All Checking, Savings and C.D. Accounts

Bank Account Number	Bank Balance	Add: Deposit In Transit	Less: Outstanding Checks	Adjusted Bank Balance
*****-9262	\$224,776	\$0	\$0	\$224,776
*****-5370	\$9,831	\$0	\$208	\$9,623
*****-6808	\$84,942	\$0	\$39,363	\$45,579
*****-6816	\$559,407	\$0	\$39,715	\$519,692
*****-6824	\$74,961	\$0	\$220	\$74,741
*****-6832	\$374,675	\$0	\$0	\$374,675
*****-6840	\$93,976	\$150	\$0	\$94,126
*****-6857	\$57	\$0	\$0	\$57
*****-6865	\$32,440	\$0	\$17,170	\$15,271
*****-6873	\$49,535	\$0	\$0	\$49,535
*****-6907	\$3,443	\$0	\$0	\$3,443
*****-6923	\$358,334	\$24,428	\$166,767	\$215,995
*****-6949	\$845	\$0	\$0	\$845
*****-8696	\$306,999	\$0	\$0	\$306,999
	Total Adjusted Bank Balance			\$1,935,355
	Petty Cash			\$900.00
	Adjustments			\$.00
	Total Cash		9ZCASH *	\$1,936,255
	Total Cash Balance All Funds		9ZCASHB *	\$1,936,255
	* Must be equal			

VILLAGE OF Wellsville  
Local Government Questionnaire  
For the Fiscal Year Ending 2007

	<u>Response</u>
1) Does your municipality have a written procurement policy?	<u>Yes</u>
2) Have the financial statements for your municipality been independently audited? If not, are you planning on having an audit conducted?	<u>Yes</u>
3) Does your local government participate in an insurance pool with other local governments?	<u>No</u>
4) Does your local government participate in an investment pool with other local governments?	<u>No</u>
5) Does your municipality have a Length of Service Award Program (LOSAP) for volunteer firefighters?	<u>No</u>
6) Does your municipality have a Capital Plan?	<u>Yes</u>
7) Has your municipality prepared and documented a risk assessment plan? If yes, has your municipality used the results to design the system of internal controls?	<u>No</u>
8) Have you had a change in chief executive or chief fiscal officer during the last year?	<u>Yes</u>
9) Has your Local Government adopted an investment policy as required by General Municipal Law, Section 39?	<u>Yes</u>

**VILLAGE OF WELLSVILLE, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Village of Wellsville have been prepared on the regulatory basis, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). That basis differs from generally accepted accounting principles in that the Village does not comply with Governmental Accounting Standards Board (GASB) No. 34, which requires the Village to present the Government-wide financial statements on a full accrual basis.

**A. REPORTING ENTITY**

The Village reports related organizations under the guidance of Statement No. 14 of the Governmental Accounting Standards Board. Statement No. 14 defines the primary government, and redefines and establishes the criteria for which potential component units are included in the reporting entity. Statement No. 14 defines financial accountability of the primary government as being determined on the basis of fiscal dependency, appointment of a voting majority of a governing board, ability to impose its will or potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. Based on the criteria under this Statement, there are no component units required to be included in the Village's reporting entity.

**B. FUND ACCOUNTING**

The Village uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The Village records its transactions in the fund types and account groups described below.

**1. FUND CATEGORIES**

- a. **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. The following are the Village's governmental fund types:

**GENERAL FUND** - serves as the principal operating fund and includes all operations not required to be recorded in other funds.

**VILLAGE OF WELLSVILLE, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

SPECIAL REVENUE FUNDS - used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The following special revenue funds are utilized:

Special Grant Fund - used to account for community development loans and other federal grants not to be accounted for in the funds.

Refuse and Garbage Fund - used to account for revenues and expenditures for refuse and garbage purposes of the landfill only.

Water Fund - used to account for revenues and expenditures for water purposes only.

Sewer Fund - used to account for revenues and expenditures for sanitary sewer purposes only.

CAPITAL PROJECTS FUND - used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment other than those financed by the enterprise funds.

- b. PROPRIETARY FUND - used to account for ongoing organizations or activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in financial position. The following proprietary funds are utilized:

ENTERPRISE FUNDS - used to account for the following operations:

Electric Fund - used to account for all financial activities pertaining to the operation of the municipal electric system.

Refuse & Garbage Fund - used to account for all financial activities pertaining to the operation of refuse & garbage services.

- c. FIDUCIARY FUND - used to account for assets held by the Village in a trustee or custodial capacity. The following are the fiduciary fund types of the Village:

Agency Fund - used to account for money (and/or property) received and held in the capacity of the trustee, custodian or agent.

Permanent Fund - used to account for money (and/or property) received and held for a specific purpose and accounted for using the accrual basis of accounting.

**VILLAGE OF WELLSVILLE, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2. ACCOUNT GROUPS

An account group is used to establish accounting control and accountability for general long-term debt. The account group is not a "fund". It is concerned with measurement of financial position and not results of operations.

The General Long-Term Debt Account Group - used to account for all long-term debt and other obligations of the Village, except those accounted for in the proprietary fund. Long-term indebtedness includes obligations such as serial bonds, compensated absences and amounts due to New York State retirement.

C. BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The basis of accounting determines when revenues and expenditures are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. Measurement focus is the determination of what is measured. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are included in the fund types on the balance sheet. Operating statements of these fund types present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in fund balance.

Modified Accrual Basis - Accounting practices prescribed by New York State to demonstrate compliance with the State's regulatory basis of accounting and budget laws requires the use of the modified accrual basis of accounting for recording transactions in governmental fund types and expendable trust and agency funds as applicable. 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. A sixty-day availability period is used for recognition of governmental fund revenues. Material revenues that are accrued include real property taxes, state and federal aid, sales and mortgage taxes and certain user charges. If expenditures are the prime factor for determining eligibility, revenues are accrued when the expenditure is made.

Expenditures are recorded when the fund liability is incurred except that:

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

**VILLAGE OF WELLSVILLE, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- d. Pension costs are recognized as an expenditure when billed by the State. (Note 2(B)(1))

Accrual Basis - Proprietary funds are accounted for on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when incurred. The Village applies the New York State Regulatory Basis of Accounting. Under this basis of accounting and measurement focus, fixed assets and long-term liabilities related to these activities are recorded within the funds.

The straight-line method of depreciation is used in determining depreciation expense in these funds. Inventories are maintained using an average cost method. Contributions to a fund, or from some other source, are recorded as contributed capital and not as revenues or expenses.

Account Groups - General long-term debt liabilities are recorded at the par value of the principal amount. No liability is recorded for the interest payable to maturity. Compensated absences are recorded at current salary rates.

**D. PROPERTY TAXES**

Real property taxes are levied annually no later than May 15<sup>th</sup> and become a lien on June 1<sup>st</sup>. Taxes are collected during the period June 1<sup>st</sup> to November 1<sup>st</sup>.

Unpaid village taxes are turned over to the County for enforcement. Any such taxes remaining unpaid at year end are relieved as County taxes in the subsequent year.

**E. BUDGETARY DATA**

1. BUDGET POLICIES - The budget policies are as follows:

- a. No later than March 31<sup>st</sup>, the Village Clerk-Treasurer submits a tentative budget to the Village Board for the fiscal year commencing the following June 1<sup>st</sup>. The tentative budget includes proposed expenditures and the proposed means of financing for all funds of the Village except for the Capital Projects and Agency funds.
- b. After public hearings are conducted to obtain taxpayer comments, no later than May 1<sup>st</sup>, the Village Board adopts the budget. Appropriations established by the budget constitute a limitation on expenditures which may be incurred.
- c. All modifications of the budget must be approved by the Village Board and appropriations lapse at fiscal year-end.
- d. Budgets are prepared for proprietary funds to establish the estimated contributions required from other funds and to control expenses.

**VILLAGE OF WELLSVILLE, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2. BUDGET BASIS OF ACCOUNTING

Budgets are adopted annually on a basis consistent with accounting practices prescribed by New York State to demonstrate compliance with the State's regulatory basis of accounting and budget laws.

F. CASH AND CASH EQUIVALENTS

The Village's cash and cash equivalents consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

G. DUE TO/FROM OTHER FUNDS

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and service type transactions are classified as "due to and from other funds." A detailed description of the individual fund balances at year-end is provided subsequently in Note 2., A., 2.

H. INVENTORY

Inventory is valued at average cost method for Proprietary Funds.

I. PROPERTY, PLANT AND EQUIPMENT - PROPRIETARY FUNDS

Property, plant and equipment acquired by the proprietary funds are stated at cost or estimated historical cost, including interest capitalized during construction, where applicable. Contributed fixed assets are recorded at fair market value at the date received. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	40 years
Improvements other than buildings	10-40 years
Machinery and Equipment	5-10 years

**VILLAGE OF WELLSVILLE, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

J. INSURANCE

The Village 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. 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. Settled claims from these risks have not exceeded commercial insurance coverage for the past three fiscal years.

K. COMPENSATORY ABSENCES

Vested vacation and sick leave is recorded in the proprietary fund as a liability and expense, and in governmental funds as a long-term liability in the general long-term debt account group if payable from future resources, or as a fund liability and expenditure, if payable from current resources. As of May 31, 2007, vacation and sick leave accumulated by employees was \$58,473 and \$549,734 and is reported in the Proprietary Fund and the General Long-Term Debt Account Group, respectively.

L. POST RETIREMENT BENEFITS

In addition to providing pension benefits, the Village provides health and life insurance coverage for retired employees as described at Note 2., B., 2.

M. INTERFUND TRANSFERS

The operations of the Village give rise to certain transaction between funds, including transfers of expenditures and revenues to provide services and construct assets.

N. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The Village, along with the Village of Andover and Town of Wellsville, has been identified by the United States Environmental Protection Agency (EPA) as responsible parties which can be held liable for the maintenance and operation of a landfill site in the Town of Wellsville.

O. FUND EQUITY

Reservations of fund balances are created either to satisfy legal restrictions or plan for future expenditures. Designation of unreserved fund balances in governmental funds indicates the use of these resources in the ensuing year's budget or tentative plans for future use. The following is a description of the reserves and designations utilized by the Village.

**VILLAGE OF WELLSVILLE, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- a. Insurance Reserve - This balance represents amounts reserved to finance future insurance claims against the Village.
- b. Capital Reserve - This balance represents amounts reserved to finance future construction, reconstruction or acquisition of capital improvement type items or equipment as authorized when the reserve was established.
- c. Repair Reserve - This balance represents amounts reserved to finance future repairs and maintenance required to maintain the Fuel Farm.
- d. Designated for Subsequent Year's Expenditures - represents funds to be used to assist in supporting the subsequent year's authorized appropriations.

P. USE OF ESTIMATES

The preparation of financial statements in accordance with the State's regulatory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Q. STATEMENT OF CASH FLOWS

For the purposes of the Statement of Cash Flows - Proprietary Funds, the Village considers cash to be all unrestricted and restricted cash accounts including demand accounts and certificates of deposit with an original maturity of generally three months or less.

**NOTE 2 - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

A. ASSETS

1. CASH AND INVESTMENTS

The Village's investment policies are governed by State statutes. In addition, the Village has its own written investment policy. Village monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The Clerk-Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, repurchase agreements, and obligations of the State of New York and its localities.

Collateral is required for demand deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

**VILLAGE OF WELLSVILLE, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

2. INTERFUND ACTIVITIES

Interfund activities at May 31, 2007, were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 217,440	\$ 122,461	\$ -	\$ 8,000
Refuse & Garbage Fund	-	-	8,000	-
Water Fund	221,752	305,088	-	-
Sewer Fund	121,252	28,509	-	-
Capital Projects Fund	-	300,000	-	-
Electric Fund - Proprietary	344,827	120,040	-	-
Refuse & Garbage Fund - Proprietary	13,024	-	-	-
Agency Fund	<u>6,760</u>	<u>48,957</u>	<u>-</u>	<u>-</u>
 Total	 <u>\$ 925,055</u>	 <u>\$ 925,055</u>	 <u>\$ 8,000</u>	 <u>\$ 8,000</u>

3. PROPRIETARY FIXED ASSETS

A summary of proprietary fund type property, plant and equipment at May 31, 2007 follows:

Electric

Land	\$ 52,323
Construction work in process	384,920
Buildings	330,695
Improvements other than buildings	5,492,195
Less: Accumulated Depreciation	<u>(3,261,291)</u>
 Total	 <u>\$ 2,998,842</u>

**VILLAGE OF WELLSVILLE, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**B. LIABILITIES**

**1. PENSION PLAN**

Plan Description

The Village of Wellsville participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of its funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary for the first ten years of membership.

Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as percentages of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

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

	<u>ERS</u>	<u>PFRS</u>
2007	\$ 170,970	\$ 138,571
2006	180,773	134,186
2005	189,091	79,000

The Village's contributions made to the Employee Retirement System was equal to 100% of the contributions required for each year.

**VILLAGE OF WELLSVILLE, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

The Village elected to adopt Chapter 260 of the Laws of 2004 New Pension Relief Act for the Village's Police and Fire Retirement Systems (PFRS) payment for 2004-2005. This allows the Village to make a partial payment on the PFRS and amortize the difference over ten years of payments with interest. At May 31, 2007, estimated principal costs of \$50,824 is owed to New York State Retirement Systems and is recorded in the General Long-term Debt Account Group.

2. **OTHER POST EMPLOYMENT BENEFITS**

In addition to the pension benefits provided through the NYS Retirement System, the Village provides certain health care benefits for retired employees. Substantially all the employees may become eligible for those benefits upon retirement. Health care benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. During the year \$ - was paid on behalf of XX retirees for health insurance as an expenditure in the General Fund.

3. **SHORT-TERM DEBT**

**BOND ANTICIPATION NOTES** - Notes in anticipation of proceeds from the subsequent sale of bonds are recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the bonds. Such notes may be classified as part of the General Long-Term Debt Account Group 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 issued for capital purposes be converted to long-term financing within five years after the original issue date.

Interest expenditures for short-term debt are recognized on a cash basis, when amounts become due and payable. Interest expenditures amounted to \$25,363 for the year ended May 31, 2007 and was recorded in the General Fund.

4. **LONG-TERM DEBT**

- a. **SERIAL BONDS** - The Village borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the Village, are recorded in the General Long-Term Debt Account Group. The provision to be made in the 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. Interest expenditures in the governmental funds are recognized on a cash basis. Interest expenditures amounted to \$213,230 for the year ended May 31, 2007.

**VILLAGE OF WELLSVILLE, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

- b. **OTHER LONG-TERM LIABILITIES** - In addition to the above long-term liabilities, the Village had a non-current liability for compensated absences, which represents the value of the earned and unused portion of the liability for compensated absences and a non-current liability for installment retirement payments owed to New York State Retirement Systems on amounts amortized during 2006-2007 fiscal year.
- c. The following is a summary of changes in long-term liabilities for the year ended May 31, 2007:

<u>Enterprise Funds:</u>	<u>Serial Bonds</u>	<u>Compensated Absences</u>	<u>Due to New York State Retirement</u>
Payable June 1, 2006	\$ -	\$ 62,060	\$ -
Additions	300,000	-	-
Deletions	<u>-</u>	<u>3,587</u>	<u>-</u>
Payable May 31, 2007	<u>\$ 300,000</u>	<u>\$ 58,473</u>	<u>\$ -</u>
 <u>General Long-Term Debt:</u>			
Payable June 1, 2006	\$3,995,000	\$ 524,319	\$ 50,824
Additions	325,000	25,415	-
Deletions	<u>197,500</u>	<u>-</u>	<u>-</u>
Payable May 31, 2007	<u>\$4,122,500</u>	<u>\$ 549,734</u>	<u>\$ 50,824</u>

Additions and deletions to compensated absences are shown net since it is impractical to determine these amounts separately.

**VILLAGE OF WELLSVILLE, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

- d. LONG-TERM DEBT MATURITY SCHEDULE - The following is a statement of the serial bonds with corresponding maturity schedules:

<u>Issue Description</u>	<u>Original Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Date of Final Maturity</u>	<u>Balance</u>
<u>General Fund</u>					
Capital Projects	03/07	625,000	4.30%	03/18	\$ 325,000
<u>Water Fund</u>					
Public Improvements	05/91	3,295,000	6.80%	05/16	1,325,000
Water Improvements	05/02	1,850,600	4.50%	05/40	1,747,500
<u>Sewer Fund</u>					
Sewer System Improvements	10/98	1,125,000	4.50%	10/19	725,000
<u>Electric Fund</u>					
Capital Projects	03/07	625,000	4.30%	03/19	<u>300,000</u>
Total					<u>\$4,422,500</u>

- e. The following table summarizes the Village's future debt service requirements as of May 31, 2007:

	<u>Serial Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 323,600	\$ 226,530
2009	264,600	210,394
2010	265,800	195,117
2011	272,000	179,786
2012	278,200	164,186
2013-2017	1,336,800	576,464
2018-2022	427,500	321,690
2023-2027	253,600	260,348
2028-2032	317,700	197,779
2033-2037	397,700	119,430
2038-2040	<u>285,000</u>	<u>26,010</u>
	<u>\$4,422,500</u>	<u>\$2,477,734</u>

**VILLAGE OF WELLSVILLE, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

- f. **DEFERRED COMPENSATION** - Employees of the Village may elect to participate in the New York State Deferred Compensation Plan. The Plan was established in accordance with Section 457 of the Internal Revenue Code and is administered by the Deferred Compensation Board of the State of New York. Participation is on a voluntary payroll deduction basis. According to Plan provisions, accumulated contributions are available only for termination, retirement, death or unforeseeable emergency. The Village's responsibility under the Plan is limited to deducting voluntary contributions from participant's wages and transmittal of such deductions to the trust fund. It is management's opinion that the Village has no liability for losses under the Plan.

**NOTE 3 - JOINT VENTURE**

On August 27, 1992, the Village entered into a cooperative agreement pursuant to Article 5 (G) of the General Municipal Law of the State of New York (joint venture) with the Town of Wellsville and the Wellsville Central School District.

The joint venture agreement (the agreement) expires August 27, 2002, with unlimited automatic five year renewal periods unless a notice to terminate is served by one of the parties in writing at least six months prior to any termination date.

The agreement was for the purpose of constructing, operating and maintaining a gasoline and diesel fuel storage and pumping facility (fuel farm) for use by each entity's respective transportation departments. The agreement dictated that the Village, Town and School would share the initial expense of construction of the fuel farm per a separate agreement. The Village agreed to operate the fuel farm. The Village, Town and School (the parties) agreed to pay into an operations fund at the commencement of the agreement \$12,500 each to be maintained by the Village as an offset to operational expenses with the Village Clerk/Treasurer designated the fiscal agent for the facility.

**SECTION B**

**COMPLIANCE AND INTERNAL CONTROL**

**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***

To the Village Board  
Village of Wellsville  
Wellsville, New York

We have audited the financial statements of Village of Wellsville, New York (the Village) as of and for the year ended May 31, 2007, and have issued our report thereon dated February 19, 2009, which was qualified because we were unable to audit and satisfy ourselves to the balances of the rehabilitation loans receivable, deferred revenues, community development income, and interest and earnings in the Special Grant Fund and management elected to exclude the General Fixed Asset Account Group, in which the New York State regulatory basis of accounting requires the General Fixed Asset Account Group to be included in the financial statements. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control. We consider the deficiencies, noted as items 07-06 through 07-09, and described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 07-01 through 07-05 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 07-10, 07-11 and 07-12.

We noted certain matters that we reported to management of the Village in a separate letter dated February 19, 2009.

This report is intended solely for the information and use of the members of the Village Board, management and others within the entity and is not intended to be and should not be used by anyone other than those specified parties.

Batavia, New York  
February 19, 2009

**VILLAGE OF WELLSVILLE, NEW YORK**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED MAY 31, 2007**

I. SUMMARY OF AUDIT RESULTS

*Financial Statements*

Type of auditor's report issued: Qualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  No

Noncompliance material to financial statements noted?  Yes  No

FINDINGS - FINANCIAL STATEMENT AUDIT

**Material Weaknesses**

**07-01. Financial Accounting and Reporting**

*Observation:* Management requests us to draft the Village's annual audited financial statements and footnote disclosures. As part of this process, we identify and recommend various audit adjustments required to ensure the financial statements are fairly stated in conformity with generally accepted accounting principles. Because an auditor cannot be part of a municipality's system of internal control, we believe management's need for our assistance results in a material weakness in internal control over financial reporting.

*Criteria:* An auditor cannot be part of the Village's internal control. Accordingly, we believe management's need for our assistance results in a material weakness in the Village's internal control over financial reporting.

*Effect:* Management requests that we draft the annual audited financial statements and footnote disclosures.

*Recommendation:* While a material weakness of this nature is typical of municipalities of your size and structure, we recommend management consider additional training to ensure that they completely understand the accounting and reporting requirements of generally accepted accounting principles.

**VILLAGE OF WELLSVILLE, NEW YORK**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED MAY 31, 2007**

**FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

**07-02. Segregation of Duties: Cash Disbursements, Cash Receipts, General Ledger, and Bank Reconciliations**

*Observation:* Due to the limited number of people working in the office, many critical duties are combined and given to the available employees. As of May 31, 2007, we note that a single individual prepares and signs checks, reconciles the bank accounts, receives cash receipts and records the receipts, receivables, and disbursements to the general ledger. To the extent possible, duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system possible.

*Criteria:* Segregation of duties should be in place to help provide reasonable assurance that Village assets are adequately safeguarded.

*Effect:* A lack of segregation of duties can cause an increased risk that errors, misstatements or misappropriations of assets could go undetected.

*Recommendation:* We recommend that segregation of duties could be improved if different employees performed the separate duties of signing checks, processing cash receipts and cash disbursements, and maintaining the general ledger.

**07-03. Compensated Absences Disbursements**

*Observation:* We noted that the Clerk-Treasurer disbursed retirement payments to retirees of the Village in excess of the amounts actually owed to the former employees. There was no review or approval process from the Village Board for payments of outstanding vacation and sick leave to the former employees.

*Criteria:* Segregation of duties should be in place to help provide reasonable assurance errors are detected and corrected internally in a timely manner.

*Effect:* A lack of segregation of duties can cause an increased risk that errors, misstatements or misappropriation of assets could go undetected.

*Recommendation:* We recommend that the Village Board review and approve all calculations and balances for retirement payments of vacation, sick, and personal leave to employees who intend to retire. This allows for review of compensated absences payouts and an official approval of the amounts owed to retirees.

**VILLAGE OF WELLSVILLE, NEW YORK**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED MAY 31, 2007**

FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

**07-04. Cash Accounts in the Village's Employer Identification Number and not recorded on the Village's General Ledger**

*Observation:* We noted that the Sesquicentennial and WASEO bank accounts were not recorded in the Village's general ledger in the Trust and Agency Fund as of May 31, 2007.

*Criteria:* Internal controls should be in place to help provide reasonable assurance only authorized individuals can establish bank accounts with the Village's Federal Employer Identification Number that all assets are properly recoded in the Village's general ledger.

*Effect:* A lack of internal controls can an increased risk that misstatements or misappropriations of assets could go undetected.

*Recommendation:* We recommend that the Village record all their cash accounts and current year activity in the general ledger.

**07-05. Recording Landfill and Permanent Fund Activity**

*Observation:* During our audit, we noted that the Village did not record the current year activities of the landfill and permanent fund in their general ledger. The only source of activity in the current year for these two funds was their respective bank statements.

*Criteria:* Internal controls should be in place to help provide reasonable assurance all assets, liabilities, revenues and expenditures are properly recoded in the Village's general ledger.

*Effect:* A lack of internal controls can cause an increased risk that misstatements or misappropriation of assets could go undetected.

*Recommendation:* We recommend that the Village implement controls to ensure all activities in all funds maintained by the Village are recorded in the general ledger.

**Significant Deficiencies**

**07-06. Signature Stamp**

*Observation:* We noted that a signature stamp with the signature of the Village's Clerk-Treasurer is used to stamp all checks to be paid by the Village. There is no review of the checks to be disbursed by any Village Board member.

*Criteria:* Segregation of duties should be in place to help provide reasonable assurance that Village assets are adequately safeguarded.

**VILLAGE OF WELLSVILLE, NEW YORK**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED MAY 31, 2007**

**FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

*Effect:* A lack of segregation of duties can cause an increased risk that errors, misstatements or misappropriation of assets could go undetected.

*Recommendation:* We recommend that the Village discontinue use of the signature stamp and that all checks be manually signed. This strengthens controls by having an individual, separate from the disbursement preparation and general ledger posting, approve disbursements.

**07-07. Village Board Approval of Purchases**

*Observation:* We noted during our audit that the Village Board reviews and approves the abstracts for disbursements but does not review voucher packages for payment by the Clerk-Treasurer. The Clerk-Treasurer has the ability to disburse a check using Village funds without the Village Board reviewing the check's supporting documentation.

*Criteria:* Internal controls should be in place to help provide reasonable assurance that Village expenditures are for approved purchases.

*Effect:* A lack of internal controls can cause an increased risk that misappropriations of assets could go undetected.

*Recommendation:* We recommend that the Village Board review all voucher packages included for payment by the Clerk-Treasurer. This level of review would provide mitigating controls related to finding 07-02.

**07-08. Documentation for Cash Disbursements**

*Observation:* We noted during our audit that in several instances, the cancelled check was the sole documentation retained in support of disbursements.

*Criteria:* Internal controls should be in place to help provide reasonable assurance that Village expenditures are for approved purchases by requiring all disbursements be accompanied by appropriate supporting documentation.

*Effect:* A lack of internal controls can cause an increased risk that misappropriations of assets could go undetected.

*Recommendation:* We recommend that a copy of the invoice be retained for each disbursement as required supporting documentation.

**VILLAGE OF WELLSVILLE, NEW YORK**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED MAY 31, 2007**

**FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

**07-09. Community Development Loans**

*Observation:* During our audit, we were unable to audit the Special Grant Fund's rehabilitation loans due to the Village having inadequate records accounting for the loan balances, including the receipt of principal and interest throughout the fiscal year.

*Criteria:* Internal controls should be in place to help provide reasonable assurance that all cash receipt, cash disbursement, revenue and expenditure transactions are properly recorded in the general ledger.

*Effect:* A lack of internal controls can cause an increased risk that errors, misstatements or misappropriations of assets could go undetected.

*Recommendation:* We recommend that the Village review their records and reconstruct the outstanding balance of the loans as of May 31, 2007. In the future, we recommend the Village establish internal controls that include periodic review of general ledger activity and loan balances to help ensure that the cash receipt, cash disbursement, revenue and expenditure transactions are properly recorded in the general ledger and that outstanding loan balances are accurately recorded in the general ledger. Furthermore, we recommend that management monitor loan receivable balances and follow-up on delinquent loans as deemed necessary.

**Non Compliance**

**07-10. New York State Constitutional Tax Limit**

*Observation:* During our audit, we requested a copy of the 2006-2007 New York State Constitutional Tax Limit for the Village of Wellsville. The Village was unable to provide us with a copy of the Constitutional Tax Limit, which is required to be filed with New York State on a yearly basis.

*Criteria:* Internal controls should be in place to help provide reasonable assurance that all regulatory information required by New York State is maintained.

*Effect:* A lack of internal controls can cause an increased risk that regulatory information required by New York State is not maintained and available.

*Recommendation:* We recommend that the Village maintains copies of all documents submitted to New York State for record keeping purposes.

**VILLAGE OF WELLSVILLE, NEW YORK**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED MAY 31, 2007**

**FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

**07-11. Village Board Approval for Capital Reserve Expenditures**

*Observation:* During our audit of the General Fund's capital reserve, we noted that the Clerk-Treasurer has the ability to make purchases from the capital reserve without Village Board approval. The Clerk-Treasurer made multiple small expenditures from the capital reserve during the fiscal year. A capital reserve purchase is required to have a resolution from the Village Board approving the use of reserve funds for expenditures.

*Criteria:* Internal controls should be in place to help provide reasonable assurance that Village expenditures from capital reserves are for approved by the Village Board.

*Effect:* A lack of internal controls can cause an increased risk that misappropriations of assets could go undetected.

*Recommendation:* We recommend that the Village Board pass resolutions for major expenditures from the capital reserve and that no expenditures be made from the capital reserve funds without Village Board approval.

**07-12. Allocation of Interest in Commingled Cash Account and Reserve Accounts**

*Observation:* During our audit, we noted that the interest revenue for the Electric, Water, and Sewer Funds were not allocated to each individual fund. We also noted that interest revenue was allocated to the capital reserve account in the General Fund.

*Criteria:* Internal controls should be in place to help provide reasonable assurance that interest on commingled cash accounts is appropriately allocated among the various funds of the Village.

*Effect:* A lack of internal controls can cause an increased risk that errors or misstatements of assets and revenues could go undetected.

*Recommendation:* We recommend that the Village allocate interest earned to the proper funds based on the amount of cash that belongs to each fund. Also, the capital reserve account should be allocated a proportion of the interest based on the capital reserve cash balance.

**VILLAGE OF WELLSVILLE, NEW YORK**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED MAY 31, 2007**

FINDINGS - FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS

**Material Weaknesses**

**06-01. Segregation of Duties: Cash Disbursements, Cash Receipts, General Ledger, and Bank Reconciliations**

*Observation:* Due to the limited number of people working in the office, many critical duties are combined and given to the available employees. As of May 31, 2006, we note that a single individual prepares and signs checks, reconciles the bank accounts, receives cash receipts and records the receipts, receivables, and disbursements to the general ledger. To the extent possible, duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system possible.

*Criteria:* Segregation of duties should be in place to help provide reasonable assurance that Village assets are adequately safeguarded.

*Effect:* A lack of segregation of duties can cause an increased risk that errors, misstatements or misappropriations of assets could go undetected.

*Status:* See 07-02

**06-02. Compensated Absences Disbursements**

*Observation:* We noted that the Clerk-Treasurer disbursed retirement payments to retirees of the Village in excess of the amounts actually owed to the former employees. There was no review or approval process from the Village Board for payments of outstanding vacation and sick leave to the former employees.

*Criteria:* Segregation of duties should be in place to help provide reasonable assurance errors are detected and corrected internally in a timely manner.

*Effect:* A lack of segregation of duties can cause an increased risk that errors, misstatements or misappropriation of assets could go undetected.

*Status:* See 07-03

**06-03. Cash Accounts in the Village's Employer Identification Number and not recorded on the Village's General Ledger**

*Observation:* During our audit of cash, we noted that there were multiple cash accounts being maintained by the Village for the General Fund capital reserve. We also noted that the Sesquicentennial and WASEO accounts in the Trust and Agency Fund were not recorded in the Village's general ledger as of May 31, 2006.

**VILLAGE OF WELLSVILLE, NEW YORK**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED MAY 31, 2007**  
**(Continued)**

**FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

*Criteria:* Internal controls should be in place to help provide reasonable assurance only authorized individuals can establish bank accounts with the Village's Employee Identification Number that all assets are properly recoded in the Village's general ledger.

*Effect:* A lack of internal controls can an increased risk that misstatements or misappropriations of assets could go undetected.

*Status:* See 07-04

**06-04. Recording Landfill and Permanent Fund Activity**

*Observation:* During our audit, we noted that the Village did not record the current year activities of the landfill and permanent fund in their general ledger. The only source of activity in the current year for these two funds were their respective bank statements.

*Criteria:* Internal controls should be in place to help provide reasonable assurance all assets, liabilities, revenues and expenditures are properly recoded in the Village's general ledger.

*Effect:* A lack of internal controls can cause an increased risk that misstatements or misappropriation of assets could go undetected.

*Status:* See 07-05

**Significant Deficiencies**

**06-05. Village Board Approval of Purchases**

*Observation:* We noted during our audit that the Village Board reviews and approves the abstracts for disbursements but does not review voucher packages for payment by the Clerk-Treasurer. The Clerk-Treasurer has the ability to disburse a check using Village funds without the Village Board reviewing the check's supporting documentation.

*Criteria:* Internal controls should be in place to help provide reasonable assurance that Village expenditures are for approved purchases.

*Effect:* A lack of internal controls can cause an increased risk that misappropriations of assets could go undetected.

*Status:* See 07-07

**VILLAGE OF WELLSVILLE, NEW YORK**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED MAY 31, 2007**  
**(Continued)**

FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

**06-06. Documentation for Cash Disbursements**

*Observation:* We noted during our audit that in several instances, the cancelled check was the sole documentation retained in support of disbursements.

*Criteria:* Internal controls should be in place to help provide reasonable assurance that Village expenditures are for approved purchases by requiring all disbursements be accompanied by appropriate supporting documentation.

*Effect:* A lack of internal controls can cause an increased risk that misappropriation of assets could go undetected.

*Status:* See 07-08

**06-07. Signature Stamp**

*Observation:* We noted that a signature stamp with the signature of the Village's Clerk-Treasurer is used to stamp all checks to be paid by the Village. There is no review of the checks to be disbursed by any Village Board member.

*Criteria:* Segregation of duties should be in place to help provide reasonable assurance that Village assets are adequately safeguarded.

*Effect:* A lack of segregation of duties can cause an increased risk that errors, misstatements or misappropriation of assets could go undetected.

*Status:* See 07-06

**Non Compliance**

**06-08. New York State Constitutional Tax Limit**

*Observation:* During our audit, we requested a copy of the 2005-2006 New York State Constitutional Tax Limit for the Village of Wellsville. The Village was unable to provide us with a copy of the Constitutional Tax Limit, which is required to be filed with New York State on a yearly basis.

*Criteria:* Internal controls should be in place to help provide reasonable assurance that all regulatory information required by New York State is maintained.

*Effect:* A lack of internal controls can cause an increased risk that regulatory information required by New York State is not maintained and available.

*Status:* See 07-10