

VILLAGE OF Wellsville
Annual Update Document
For the Fiscal Year Ending 2009

(TA) AGENCY

Balance Sheet

Code Description	2008	EdpCode	2009
Assets			
Cash	9,723	TA200	2,095
Time Deposits	78,261	TA201	
TOTAL Cash	87,984		2,095
Due From Other Funds		TA391	
TOTAL Due From Other Funds	0		0
TOTAL Assets	87,984		2,095

VILLAGE OF Wellsville
Annual Update Document
For the Fiscal Year Ending 2009

(TA) AGENCY

Balance Sheet

Code Description	2008	EdpCode	2009
Liabilities And Fund Equity			
Due To Other Funds	78,261	TA630	
TOTAL Due To Other Funds	78,261		0
Consolidated Payroll		TA10	
State Retirement	1,828	TA18	-356
Group Insurance	4,851	TA20	
Income Executions		TA23	
Assoc & Union Dues	521	TA24	506
Social Security Tax		TA26	1,945
Other Funds (specify)	2,523	TA85	
TOTAL Agency Liabilities	9,723		2,095
TOTAL Liabilities	87,984		2,095
TOTAL Liabilities And Fund Equity	87,984		2,095

VILLAGE OF Wellsville
Annual Update Document
For the Fiscal Year Ending 2009

(W) GENERAL LONG-TERM DEBT

Balance Sheet

Code Description	2008	EdpCode	2009
Assets			
Total Non-Current Govt Liabilities	4,543,250	W129	4,739,065
TOTAL Provision To Be Made In Future Budgets	4,543,250		4,739,065
TOTAL Assets	4,543,250		4,739,065

VILLAGE OF Wellsville
Annual Update Document
For the Fiscal Year Ending 2009

(W) GENERAL LONG-TERM DEBT

Balance Sheet

Code Description	2008	EdpCode	2009
Liabilities And Fund Equity			
Landfill Closure & Post Closure		W684	506,749
Compensated Absences	467,974	W687	426,722
TOTAL Other Liabilities	467,974		933,471
Due To Employees' Retirement System	41,376	W637	36,294
TOTAL Due To Other Governments	41,376		36,294
Bonds Payable	4,033,900	W628	3,769,300
TOTAL Bond And Long Term Liabilities	4,033,900		3,769,300
TOTAL Liabilities	4,543,250		4,739,065
TOTAL Liabilities And Fund Equity	4,543,250		4,739,065

VILLAGE OF Wellsville
Financial Comments
For the Fiscal Year Ending 2009

(A) GENERAL

Adjustment Reason

Account Code A8012 Restatement of restricted reserves to unrestricted

VILLAGE OF Wellsville
Statement of Indebtedness
For the Fiscal Year Ending 2009

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	1,200,000
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	150,000
Outstanding End of the Fiscal Year	2P18677	1,050,000
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	1,723,900
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	24,600
Outstanding End of the Fiscal Year	2P18677	1,699,300
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	675,000
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	625,000
Final Maturity Date		10/15/2018

Total Bond		Amount
Outstanding Beginning of Year		3,598,900
Prior Year Adjustment		0
Issued During Fiscal Year		0
Paid During Fiscal Year		224,600
Outstanding End of Year		3,374,300

0

VILLAGE OF Wellsville
Statement of Indebtedness
For the Fiscal Year Ending 2009

Indebtedness Not Exempt From Constitutional Debt Limit

Bond Anticipation Note No. 2009000001	EDPCODE	Amount
Month and Year of Issue		3/25/2009
Purpose of Issue		Repair & Replacement
Current Interest Rate		3.1500
Outstanding Beginning of Year	2P18761	0
Prior Year Adjustment		0
Issued During the Fiscal Year		
(do not include renewals here)	2P18763	200,000
Paid During the Fiscal Year		
(do not include renewals here)	2P18765	0
Outstanding End of the Fiscal Year	2P18767	200,000
Final Maturity Date		3/25/2010

Total Bond Anticipation Note		Amount
Outstanding Beginning of Year		0
Prior Year Adjustment		0
Issued During Fiscal Year		200,000
Paid During Fiscal Year		0
Outstanding End of Year		200,000
*** Bond Anticipation Notes Redeemed		
From Bond Proceeds During Fiscal Year	2P18885	0

VILLAGE OF Wellsville
Statement of Indebtedness
For the Fiscal Year Ending 2009

Indebtedness Not Exempt From Constitutional Debt Limit

Bond No. 2008000001	EDPCODE	Amount
Month and Year of Issue		10/18/2007
Purpose of Issue		rainage Improvements
Current Interest Rate		4.2500
Outstanding Beginning of Year	2P18771	200,000
Prior Year Adjustment		0
Issued During the Fiscal Year		
(do not include renewals here)	2P18773	0
Paid During the Fiscal Year		
(do not include renewals here)	2P18775	20,000
Outstanding End of the Fiscal Year	2P18777	180,000
Final Maturity Date		10/18/2018

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	235,000
Prior Year Adjustment		0
Issued During the Fiscal Year		
(do not include renewals here)	2P18773	0
Paid During the Fiscal Year		
(do not include renewals here)	2P18775	20,000
Outstanding End of the Fiscal Year	2P18777	215,000
Final Maturity Date		3/15/2018

VILLAGE OF Wellsville
Statement of Indebtedness
For the Fiscal Year Ending 2009

Indebtedness Not Exempt From Constitutional Debt Limit

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	265,000
Prior Year Adjustment		0
Issued During the Fiscal Year		
(do not include renewals here)	2P18773	0
Paid During the Fiscal Year		
(do not include renewals here)	2P18775	20,000
Outstanding End of the Fiscal Year	2P18777	245,000
Final Maturity Date		3/15/2019

Total Bond		Amount
Outstanding Beginning of Year		700,000
Prior Year Adjustment		0
Issued During Fiscal Year		0
Paid During Fiscal Year		60,000
Outstanding End of Year		640,000

0

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

Total Bond		Amount
Outstanding Beginning of Year		4,298,900
Prior Year Adjustment		0
Issued During Fiscal Year		200,000
Paid During Fiscal Year		284,600
Outstanding End of Year		4,214,300

VILLAGE OF Wellsville
Schedule of Time Deposits and Investments
For the Fiscal Year Ending 2009

	EDP Code	Amount
CASH:		
On Hand	9Z2001	\$870.00
Demand Deposits	9Z2011	\$206,479.52
Time Deposits	9Z2021	\$2,360,989.04
Total		\$2,568,338.56
 COLLATERAL:		
- FDIC Insurance	9Z2014	\$662,581.00
Collateralized with securities held in possession of municipality or its agent	9Z2014A	\$2,111,859.04
Total		\$2,774,440.04
 INVESTMENTS:		
- 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 2009

Include All Checking, Savings and C.D. Accounts

Bank Account Number	Bank Balance	Add: Deposit In Transit	Less: Outstanding Checks	Adjusted Bank Balance
*****-6816	\$41,432	\$79,640	\$98,402	\$22,670
*****-6824	\$115,933	\$125	\$113,962	\$2,095
*****-6840	\$11,937	\$426	\$0	\$12,363
*****-6865	\$19,381	\$0	\$11,957	\$7,424
*****-6923	\$210,632	\$50,000	\$98,705	\$161,927
*****-8134	\$296,067	\$0	\$0	\$296,067
*****-8142	\$200,971	\$0	\$79,500	\$121,471
*****-8159	\$52	\$0	\$0	\$52
*****-8167	\$6	\$0	\$0	\$6
*****-8175	\$318,194	\$0	\$0	\$318,194
*****-8183	\$701,725	\$0	\$0	\$701,725
*****-8191	\$647,901	\$0	\$50,000	\$597,901
*****-8209	\$60,377	\$0	\$0	\$60,377
*****-8217	\$135,695	\$0	\$0	\$135,695
	Total Adjusted Bank Balance			\$2,437,968
	Petty Cash			\$870.00
	Adjustments			\$-2.30
	Total Cash		9ZCASH *	\$2,438,836
	Total Cash Balance All Funds		9ZCASHB *	\$2,438,836
	* Must be equal			

VILLAGE OF Wellsville
Employee and Retiree Benefits
For the Fiscal Year Ending 2009

Total Full Time Employees:		144,942			
Total Part Time Employees:					
Account Code	Description	Total Expenditures (All Funds)	# of Full Time Employees	# of Part Time Employees	# of Retirees
90108	State Retirement System	\$144,942.00	34	7	5
90158	Police and Fire Retirement	\$115,100.00	14	18	6
90258	Local Pension Fund				
90308	Social Security	\$167,072.00	48	25	
90408	Worker's Compensation Insurance	\$39,952.00	48	25	
90458	Life Insurance				
90508	Unemployment Insurance	\$5,919.00	3		
90558	Disability Insurance	\$1,024.00	1		
90608	Hospital and Medical (Dental) Insurance	\$309,930.00	48	3	11
90708	Union Welfare Benefits				
90858	Supplemental Benefit Payment to Disabled Fire Fighters				
91890	Other Employee Benefits	\$16,262.00	20		
Total		\$800,201.00			
Computed Total From Financial Section (comparative purposes only)		\$800,201.00			

VILLAGE OF Wellsville
 Energy Costs and Consumption
 For the Fiscal Year Ending 2009

Energy Type	Total Expenditures	Total Volume	Units Of Measure	Alternative Units Of Measure
Gasoline	\$37,168	25,453	gallons	
Diesel Fuel	\$35,778	19,060	gallons	
Fuel Oil			gallons	
Natural Gas	\$53,623	44,363	cubic feet	
Electricity	\$63,759	1,361,360	kilowatts	
Coal			tons	

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.

The General Fixed Assets Group - used to account for land, buildings, improvements other than buildings, infrastructure, and equipment utilized for general government purposes.

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.

VILLAGE OF WELLSVILLE, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- c. Compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid. (Note 1(K))
- 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.

The Village has elected to apply all GASB pronouncements, applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principals Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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 15th and become a lien on June 1st. Taxes are collected during the period June 1st to November 1st.

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 31st, the Village Clerk-Treasurer submits a tentative budget to the Village Board for the fiscal year commencing the following June 1st. 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.

VILLAGE OF WELLSVILLE, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- b. After public hearings are conducted to obtain taxpayer comments, no later than May 1st, 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.

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."

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>Capitalization Threshold</u>	<u>Estimated Lives</u>
Buildings	\$ 501	40 years
Improvements other than buildings	501	10-40 years
Machinery and Equipment	501	5-10 years
Infrastructure	501	40 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. COMPENSATED ABSENCES

The Village labor agreements provide for sick leave, vacations and miscellaneous other paid absences. Upon retirement certain eligible employees qualify for paid medical premiums and/or payment for the value of unused sick leave. These payments are budgeted annually without accrual.

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, 2009, vacation and sick leave accumulated by employees was \$46,239 and \$426,722 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. The cost for the long term maintenance and operation of the landfill has been estimated to be \$506,749 as of May 31, 2009 and this amount is reported in the general long term debt group for the Village.

VILLAGE OF WELLSVILLE, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

- a. 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.
- b. Repair Reserve - This balance represents amounts reserved to finance future repairs and maintenance required to maintain the Fuel Farm.

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)

The Village implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*.

The Village follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Village Clerk-Treasurer.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Village's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Village's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The Village's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of the New York State and its localities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Village's investment and deposit policy, all deposits of the Village including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 102% of the aggregate amount of deposits. The Village restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by the New York State and its localities.

VILLAGE OF WELLSVILLE, NEW YORK
NOTES TO FINANCIAL STATEMENTS

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

2. RECEIVABLES

Major revenues accrued by the Village at May 31, 2009, include the following:

General Fund:

Mortgage taxes receivable	\$ 5,554
Gross utilities taxes receivable	7,595
Fines & forfeited bail receivable	7,110
Miscellaneous receivables	<u>16,834</u>
	<u>\$ 37,093</u>

Electric Fund:

Electric rents receivable	<u>\$ 261,043</u>
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Refuse and Garbage Fund:

Refuse and garbage rents receivable	18,596
Unbilled receivables	<u>29,453</u>
	<u>\$ 48,049</u>

Water Fund:

Water rents receivable	\$ 99,360
Unbilled receivables	<u>82,932</u>
	<u>\$ 182,292</u>

Sewer Fund:

Sewer rents receivable	\$ 42,789
Unbilled receivables	<u>42,190</u>
	<u>\$ 84,979</u>

Special Grant Fund:

Loans receivable	<u>\$ 320,932</u>
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3. INTERFUND ACTIVITIES

Interfund activities at May 31, 2009, were as follows:

	<u>Interfund</u> <u>Receivables</u>	<u>Interfund</u> <u>Payables</u>	<u>Interfund</u> <u>Revenues</u>	<u>Interfund</u> <u>Expenditures</u>
General Fund	\$ 1,250	\$ -	\$ 313,631	\$ -
Capital Fund	-	1,250	-	-
Permanent Trust Fund	-	-	-	<u>313,631</u>
Total	<u>\$ 1,250</u>	<u>\$ 1,250</u>	<u>\$ 313,631</u>	<u>\$ 313,631</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 10 years of membership. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates used in computing the employers contributions. The required contributions for the current year and two preceding years were:

		<u>ERS</u>		<u>PFRS</u>
2009	\$	163,324	\$	115,100
2008		155,361		137,872
2007		170,970		138,571

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, 2009, estimated principal costs of \$36,294 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 providing pension benefits, the Village provides health insurance coverage for eligible retired employees. Substantially all the Village's full time employees may become eligible for this benefit upon retirement. The Village is obligated to pay such benefits as a result of union contracts and Village Board rules and regulation for nonunion employees. Health care benefits are provided through insurance companies whose premiums are based on the benefits paid during the year. The Village recognizes the cost of providing benefits by recording its share of insurance premiums as expenditures in the year paid. During the year \$29,887 was paid on behalf of one retiree for health insurance, as expenditure in the General Fund. Also, \$13,304 was paid on behalf of one retiree for health insurance as expenditure in the Electric Fund.

3. SHORT-TERM DEBT

The Village issued Bond Anticipation Notes, in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

Transactions in short-term debt for the year are summarized below:

	<u>Balance at</u> <u>06/01/08</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance at</u> <u>05/31/09</u>
BAN maturing 03/25/10 at 3.15% \$	-	\$ 200,000	-	\$ 200,000

VILLAGE OF WELLSVILLE, NEW YORK
NOTES TO FINANCIAL STATEMENTS

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

4. LONG-TERM LIABILITIES

- 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 and Enterprise Funds. 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 \$210,872 for the year ended May 31, 2009.
- 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 2008-2009 fiscal year. The Town also had a non-current liability for estimated landfill postclosure care costs, which represents the total liability for future maintenance and operation costs. (See Note 1., N.)
- c. The following is a summary of changes in long-term liabilities for the year ended May 31, 2009:

<u>Enterprise Funds:</u>	<u>Serial</u> <u>Bonds</u>	<u>Compensated</u> <u>Absences</u>	<u>Due to</u> <u>New York</u> <u>State</u> <u>Retirement</u>	<u>Landfill</u> <u>Post</u> <u>Closure</u> <u>Care Cost</u>
Payable June 1, 2008	\$ 265,000	\$ 59,846	\$ -	\$ -
Additions	-	-	-	-
Deletions	<u>20,000</u>	<u>13,607</u>	<u>-</u>	<u>-</u>
Payable May 31, 2009	<u>\$ 245,000</u>	<u>\$ 46,239</u>	<u>\$ -</u>	<u>\$ -</u>
<u>General Long-Term Debt:</u>				
Payable June 1, 2008	\$4,033,900	\$ 467,974	\$ 41,376	\$ -
Additions	-	-	-	506,749
Deletions	<u>264,600</u>	<u>41,252</u>	<u>5,082</u>	<u>-</u>
Payable May 31, 2009	<u>\$3,769,300</u>	<u>\$ 426,722</u>	<u>\$ 36,294</u>	<u>\$ 506,749</u>

VILLAGE OF WELLSVILLE, NEW YORK
NOTES TO FINANCIAL STATEMENTS

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

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

- 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>
General Fund					
Capital Projects	03/07	\$ 625,000	4.30%	03/18	\$ 215,000
Retention Pond	10/07	200,000	4.18%	10/18	180,000
Water Fund					
Public Improvements	05/91	3,295,000	6.80%	05/16	1,050,000
Water Improvements	05/02	1,850,600	4.50%	05/40	1,699,300
Sewer Fund					
Sewer System Improvements	10/98	1,125,000	4.50%	10/19	625,000
Electric Fund					
Capital Projects	03/07	625,000	4.30%	03/19	<u>245,000</u>
Total					<u>\$ 4,014,300</u>

- e. The following table summarizes the Village's future debt service requirements as of May 31, 2009:

	<u>Serial Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 285,800	\$ 202,197
2011	292,000	186,046
2012	298,200	169,626
2013	299,500	152,932
2014	300,900	136,175
2015-2019	1,157,000	443,340
2020-2024	221,600	291,659
2025-2029	277,500	236,997
2030-2034	347,500	168,534
2035-2039	435,300	82,805
2040	<u>99,000</u>	<u>4,455</u>
	<u>\$ 4,014,300</u>	<u>\$ 2,074,766</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.

NOTE 4- ECONOMIC DEPENDENCY

Approximately 15% of the Village's electric fund revenues are dependent upon one major customer.

VILLAGE OF WELLSVILLE, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - FUTURE GASB PRONOUNCEMENTS

A. ACCOUNTING AND FINANCIAL REPORTING BY EMPLOYERS FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which will be effective for the Village beginning with its year ending May 31, 2009. This statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

B. ACCOUNTING AND FINANCIAL REPORTING FOR INTANGIBLE ASSETS

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Governments possess many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. Intangible assets, and more specifically easements, are referred to in the description of capital assets in Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. This reference has created questions as to whether and when intangible assets should be considered capital assets for financial reporting purposes. An absence of sufficiently specific authoritative guidance that addresses these questions has resulted in inconsistencies in the accounting and financial reporting of intangible assets among state and local governments, particularly in the areas of recognition, initial measurement, and amortization. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The Village is required to adopt the provisions of Statement No. 51 for the year ended May 31, 2010. However, it is anticipated that the implementation of this standard will not have a material effect on the Town's financial statements.

VILLAGE OF WELLSVILLE, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - FUTURE GASB PRONOUNCEMENTS (Continued)

C. FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DEFINITIONS

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Statement 54 is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. It distinguishes fund balance between amounts that are considered *nonspendable*, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications such as restricted, committed, assigned and unassigned.

The new standards also clarify the definitions of individual governmental fund types. It interprets certain terms within the definition of special revenue fund types, while further clarifying the debt service and capital projects fund type definitions. The final standard also specifies how economic stabilization or “rainy-day” amounts should be reported. GASB Statement 54 is effective for financial statements for periods beginning after June 15, 2010. Governments that wish to implement earlier than that date are encouraged to do so.

SECTION B

COMPLIANCE AND INTERNAL CONTROL



Freed Maxick & Battaglia, CPAs, PC

**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, 2009, and have issued our report thereon dated September 15, 2009. 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 a material weakness 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 09-1, 09-2 and 09-03, 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 deficiency described above, we consider item 09-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Village in a separate letter dated September 15, 2009.

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

Freed Maxick & Battaglia, CPAs, PC

Batavia, New York
September 15, 2009

VILLAGE OF WELLSVILLE, NEW YORK
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED MAY 31, 2009

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

II. FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weakness

09-01. Financial Accounting and Reporting

Observation: During our audit we identified and recommended various audit adjustments required to ensure the financial statements are fairly stated in conformity with accounting practices prescribed by New York State to demonstrate compliance with the State's regulatory basis of accounting and budget laws, which differs from accounting principles generally accepted in the United States of America. Management requested us to draft the Village's footnote disclosures. 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 footnote disclosures and propose material audit adjustments.

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, 2009

II. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

Management Response: Management agrees that there has been a deficiency in this area due to the changes in financial software and the fact that over the past four years there has been three individuals handling the financial records of the Village. It is anticipated that fiscal year 2010 will experience a correction of this weakness. One factor is the additional experience that the existing staff has accumulated, but most importantly plans by the Village to change its accounting software to a fully integrated one with proven results in the Municipal Utility arena.

Significant Deficiencies

09-02. 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, 2008, we note that a single individual prepared and signed checks, reconciled the bank accounts, received cash receipts and recorded 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.

Management Response: Management does agree that additional segregation of duties are necessary and will continue to change the internal process to mitigate as much of this deficiency as possible. Management does state that due to the size of the office it is not possible to achieve total separation due to economic and personnel constraints. It is noted that as of May 31, 2009 the receiving of cash and recording of the receipts duties were separate and distinct duties. The signing of checks will be corrected if the new financial software is implemented. The new software will sign the checks automatically only once the authorized signors have entered their unique passwords into the payroll software. The preparation of the vouchers and their entry into the financial software will also be done by individuals that are not reviewing the entries and doing the ultimate approval of the abstract, if the new software is purchased.

VILLAGE OF WELLSVILLE, NEW YORK
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED MAY 31, 2009

II. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

09-03. Journal Entries

Observation: During our audit, we noted that the Village did not have established controls over making journal entries. Upon further review, we noted that there was no approval obtained to allow an entry to be made in the system and there was a lack of supporting documentation for the entries.

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 appropriations of assets could go undetected.

Recommendation: We recommend that the Village establish controls related to journal entries and create a policy related to the review of entries by management who approves the entry after reviewing all supporting documentation.

Management Response: Management agrees and indicates that in 2009 the board did begin to approve the journal entries. It is agreed that the supporting documentation must be improved and become part of the board review/approval process going forward.

VILLAGE OF WELLSVILLE, NEW YORK
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED MAY 31, 2009

FINDINGS - FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS

Material Weaknesses

08-01. 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.

Status: See 09-01.

08-02. 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 noted that a single individual prepared and signed checks, reconciled the bank accounts, received cash receipts and recorded 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 09-02.

VILLAGE OF WELLSVILLE, NEW YORK
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED MAY 31, 2009

FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

08-03. Journal Entries

Observation: During our audit, we noted that the Village did not have established controls over making journal entries. Upon further review, we noted that there was no approval obtained to allow an entry to be made in the system and there was a lack of supporting documentation for the entries.

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 appropriations of assets could go undetected.

Recommendation: We recommend that the Village establish controls related to journal entries and create a policy related to the review of entries by management who approves the entry after reviewing all supporting documentation.

Status: See 09-03

Non Compliance

08-04. Village Board Approval for Capital Reserve Expenditures

Observation: During our audit of the General Fund's capital reserve, we noted that the Clerk-Treasurer had 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 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.

Status: No reoccurrence of this finding in the current year.