

VILLAGE OF ELMIRA HEIGHTS  
ELMIRA HEIGHTS, NEW YORK

FINANCIAL STATEMENTS

MAY 31, 2012

VILLAGE OF ELMIRA HEIGHTS

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**Richard M. McNeilly**

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and the Trustees of  
the Village Board of the  
Village of Elmira Heights  
Elmira Heights, New York

I have audited the accompanying financial statements of the governmental activities and each major fund of the Village of Elmira Heights, New York as of and for the year ended May 31, 2012. These financial statements are the responsibility of the Village of Elmira Heights's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note-2 to the financial statements, management has not recorded certain postemployment benefits other than pensions in governmental activities and, accordingly, has not recorded expenses related to those costs. Accounting principles generally accepted in the United States of America require that these postemployment costs be recorded as liabilities and the related costs be expensed, which would increase liabilities, decrease net assets, and increase expenses. The amount by which this departure would affect the liabilities, net assets and expenses of the governmental activities is not reasonably determinable.

In my opinion, because of the effects of the matter discussed in the proceeding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Village of Elmira Heights, New York, as of May 31, 2012, or the changes in financial position thereof for the year then ended.

In addition, in my opinion, the financial statements referred to previously, present fairly, in all material respects, the respective financial position of each major fund of the Village of Elmira Heights, New York, as of May 31, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the managements's discussion and analysis and budgetary comparison information on pages 3-7 and 28-29, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

October 28, 2012



Richard McNeilly, CPA

VILLAGE OF ELMIRA HEIGHTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended May 31, 2012

Our discussion and analysis of the Village of Elmira Heights, New York's financial performance provides an overview of the Village's financial activities for the year ended May 31, 2012. This document should be read in conjunction with the Village's financial statements.

FINANCIAL HIGHLIGHTS

The Village's net assets decreased \$(19,862) as a result of this year's activity.

The assets of the Village exceeded its liabilities by \$1,504,069 (net assets) at the end of May 31, 2012. Of this amount, \$1,336,153 is unrestricted net assets.

No new debt was issued during the year and no major capital assets were purchased either.

At the end of the year unrestricted fund balance of the general fund was \$766,888, of which \$-0- was appropriated for the 2012/2013 fiscal year budget.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than government-wide statements by providing information about activities for which the Village acts as a trustee or agent for the benefit of those outside of the government.

## REPORTING THE VILLAGE AS A WHOLE

### The Statement of Net Assets and the Statement of Activities

Our analysis of the Village as a whole begins on page 8. The statement of net assets and the statement of activities report information about the Village as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Village's net assets and changes in them. You can think of the Village's net assets - the difference between assets and liabilities - as one way to measure the Village's financial health, or financial position. Over time, increases or decreases in the Village's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Village's property tax base and the condition of the Village's roads and infrastructure, to assess the overall health of the Village. In the statement of net assets and statement of activities, the Village's only activities relate to governmental activities:

Governmental activities - Most of the Village's basic services are reported here, including public safety, public works, economic assistance, culture and recreation, home and community service and general administration. Property taxes, sales taxes, franchise fees, usage fees and state and federal grants finance most of these activities.

## REPORTING THE VILLAGE'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

Our analysis of the Village's major funds begins on page 11, and provides detailed information about the most significant funds - not the Village as a whole. Some funds are required to be established by state law and by covenants. However, the Village board may establish other funds to help it control and manage money for particular purposes. The Village's only type of funds is governmental.

Governmental Funds - Most of the Village's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial resources that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Village's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. We describe the relationship (of differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliations on pages 13 and 16.

THE VILLAGE AS TRUSTEE

Reporting the Village's Fiduciary Responsibilities

The Village is the trustee, or fiduciary, for its employees' deferred compensation plan. It is also responsible for other assets that - because of a trust arrangement - can only be used for the trust beneficiaries. All of the Village's fiduciary activities are reported in a separate statement of fiduciary net assets on page 17. We exclude these activities from the Village's other financial statements because the Village cannot use these assets to finance its operations. The Village is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE VILLAGE AS A WHOLE

The Village's combined net assets decreased from \$1,523,931 to \$1,504,069.

Village of Elmira Heights's Net Assets

Governmental Activities

2012 2011

Current Assets	\$ 1,417,114	\$ 1,403,295
Capital Assets	967,884	1,046,779
Restricted Cash	75,560	98,567
Notes Receivable	206,745	151,410
Total Assets	<u>\$ 2,667,303</u>	<u>\$ 2,700,051</u>
Current Liabilities	338,945	289,984
Long-Term Liabilities	824,289	886,136
Total Liabilities	<u>\$ 1,163,234</u>	<u>\$ 1,176,120</u>
Invested in Capital Assets, Net of Related Debt	81,146	99,367
Restricted	86,770	98,567
Unrestricted	1,336,153	1,325,997
Total Net Assets	<u>\$ 1,504,069</u>	<u>\$ 1,523,931</u>

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

Village of Elmira Heights's Changes in Net Assets

	Governmental Activities	
	2012	2011
Program Revenues:		
Charges for Services	\$ 327,634	\$ 334,948
Operating and Capital Grants	413,675	440,497
General Revenues:		
Property Taxes	1,523,180	1,493,314
Sales Taxes	619,021	585,605
Other Taxes	136,248	124,182
Investment Earnings	9,354	12,106
Gain of Sale of Assets	8,435	138,816
Insurance Recoveries	4,305	1,293
Total Revenue	<u>3,041,852</u>	<u>3,130,761</u>
Expenses:		
General Government	481,527	453,452
Public Safety	1,005,826	950,772
Transportation	392,633	424,133
Economic Assistance	127,272	182,804
Culture and Recreation	32,089	44,002
Home and community Service	257,193	235,638
Employee Benefits	723,933	640,539
Interest on Debt	41,241	24,701
Total Expenses	<u>3,061,714</u>	<u>2,956,041</u>
INCREASE (DECREASE) IN NET ASSETS	(19,862)	174,720
Net Assets, Beginning of Year	1,523,931	1,372,072
Prior Period Adjustment	<u>-0-</u>	<u>(22,861)</u>
Net Assets, End of Year	<u>\$ 1,504,069</u>	<u>\$ 1,523,931</u>

THE VILLAGE'S FUNDS

As the Village completed the year, its governmental funds (as presented in the balance sheet on pages 11-12) reported a combined fund balance of \$ 1,329,688.

GENERAL FUND BUDGETARY HIGHLIGHTS

The significant variances between the originally adopted budget for the year ended May 31, 2012 and the final actual results were caused as follows:

Differences in revenue between the original budget and the actual are a result of better than anticipated sales tax revenue and less departmental income and state aid.

Differences in expenditures between the original budget and actual were the results of increased emphasis on minimizing increases in expenditures.



## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Village's elected and appointed officials considered many factors when setting the fiscal year 2012-2013 budget. The budget appropriations were \$2,864,613 an increase of two percent over the prior year's appropriations. The tax levy had a 3.0% increase and \$-0- of the unappropriated fund balance was used to balance the budget. Such decision was made in order to keep property taxes at the lowest level as possible for services provided by the Village.

## CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, creditors and other users with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the mayor, the chief fiscal officer of the Village of Elmira Heights at 215 Elmwood Avenue, Elmira Heights, NY 14903.

VILLAGE OF ELMIRA HEIGHTS  
STATEMENT OF NET ASSETS  
MAY 31, 2012

Primary  
Government  
Governmental  
Activities

<u>ASSETS</u>	
Current Assets	
Cash/ cash equivalents	\$ <u>1,369,332</u>
Notes receivable - current	<u>36,666</u>
Taxes Receivable (Net)	<u>-0-</u>
Due From Other Governments	<u>-0-</u>
Inventory	<u>11,116</u>
Prepaid items	<u>-0-</u>
Total Current Assets	<u>1,417,114</u>
Noncurrent Assets	
Cash/ cash equivalents-restricted	<u>75,560</u>
Capital assets-depreciable (net)	<u>945,884</u>
Capital assets-land	<u>22,000</u>
Construction in progress	<u>-0-</u>
Notes receivable	<u>206,745</u>
Total Noncurrent Assets	<u>1,250,189</u>
TOTAL ASSETS	<u>\$ 2,667,303</u>
<u>LIABILITIES</u>	
Current Liabilities	
Accounts payable & accrued expenses	\$ <u>25,773</u>
Interest payable	<u>19,203</u>
Deferred revenue	<u>-0-</u>
Compensated absences	<u>182,870</u>
Pension obligation	<u>32,783</u>
Due to other governments	<u>15,867</u>
Notes payable - current portion	<u>62,449</u>
General obligation bonds	<u>-0-</u>
Total Current Liabilities	<u>338,945</u>
Noncurrent Liabilities	
Notes payable	<u>824,289</u>
Total Noncurrent Liabilities	<u>824,289</u>
TOTAL LIABILITIES	<u>\$ 1,163,234</u>
<u>NET ASSETS</u>	
Investment in capital assets, net of related debt	\$ <u>81,146</u>
Restricted net assets	<u>86,770</u>
Unrestricted net assets	<u>1,336,153</u>
TOTAL NET ASSETS	<u>\$ 1,504,069</u>

See Notes to Financial Statements.

VILLAGE OF ELMIRA HEIGHTS  
STATEMENT OF ACTIVITIES  
YEAR ENDED MAY 31, 2012

<u>FUNCTIONS</u>	<u>Expenses</u>	<u>Program Charges for Services</u>
<u>Primary Government</u>		
<u>Governmental Activities:</u>		
General Government	\$ 481,527	\$ 66,935
Education		
Public Safety	1,005,826	150,423
Health		
Transportation	392,633	
Economic Assistance and Opportunity	127,272	50
Culture and Recreation	32,089	3,435
Home and Community Service	257,193	106,791
Employee Benefits - Unallocated	723,933	
Interest on Debt	41,241	
Total Governmental Activities	<u>3,061,714</u>	<u>327,634</u>

General Revenues:

Property Taxes  
Sales Taxes  
Other Taxes  
Investment Earnings  
Gain on Sale of Assets  
Insurance Recoveries  
Total General Revenues and Transfers

Change in Net Assets

Net Assets, Beginning of Year

Prior Period Adjustment

Net Assets, End of Year

See Notes to Financial Statements.

Net (Expense) Revenue  
and Changes in Net Assets  
Primary Government

Revenues		
Operating Grants	Capital Grants	Governmental Activities
\$ 83,190	\$ _____	\$ (331,402)
9,926	_____	(845,477)
_____	90,903	(301,730)
229,656	_____	102,434
_____	_____	(28,654)
_____	_____	(150,402)
_____	_____	(723,933)
_____	_____	(41,241)
322,772	90,903	(2,320,405)

1,523,180  
619,021  
136,248  
9,354  
8,435  
4,305  
2,300,543

(19,862)

1,523,931

-0-

\$ 1,504,069

VILLAGE OF ELMIRA HEIGHTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
MAY 31, 2012

<u>ASSETS</u>	<u>General</u>	<u>Special Revenue</u>
Cash	\$ 893,302	\$ 476,030
Cash - Restricted	75,560	
Taxes Receivable (Net)		
State and Federal Receivables		
Other Receivables		243,411
Due from Other Funds		
Due from Other Governments		
Prepaid Expenses		
Investments - Land and Improvements		
 TOTAL ASSETS	 \$ 968,862	 \$ 719,441
 <u>LIABILITIES AND FUND BALANCES</u>		
Liabilities		
Accounts Payable	\$ 180	\$
Accrued Liabilities	25,593	
Notes Payable		
Due to Other Funds		
Due to Other Governments	15,867	
Due to Employees' Retirement System		
Deferred Revenue		243,411
Compensated Absences	73,564	
Total Liabilities	115,204	243,411
Fund Balances		
Restricted	86,770	
Assigned		
Unrestricted	766,888	476,030
Total Fund Balances	853,658	476,030
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 968,862	 \$ 719,441

See Notes to Financial Statements.

<u>Capitol Projects Fund</u>	<u>Total Governmental Funds</u>
\$	<u>\$ 1,369,332</u>
	<u>75,560</u>
	<u>243,411</u>
	<u>243,411</u>
	<u>243,411</u>
	<u>243,411</u>
<u>\$ -0-</u>	<u>\$ 1,688,303</u>
	<u>180</u>
	<u>25,593</u>
	<u>15,867</u>
	<u>243,411</u>
	<u>73,564</u>
	<u>358,615</u>
	<u>86,770</u>
	<u>1,242,918</u>
	<u>1,329,688</u>
<u>\$ -0-</u>	<u>\$ 1,688,303</u>

VILLAGE OF ELMIRA HEIGHTS  
RECONCILIATION OF FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE GOVERNMENTAL  
ACTIVITIES IN THE STATEMENT OF NET ASSETS  
MAY 31, 2012

Fund Balances of Governmental Funds	\$ 1,329,688
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	967,884
Other prepaid assets including pension prepayments and ongoing inventories are not available to pay for current period expenditures and, therefore, are not deferred in governmental funds.	11,116
Deferred revenue on notes receivable are not applicable to the full accrual basis of accounting and, therefore, are not deferred in net assets	243,411
Certain short-term liabilities do not require current financial resources. Therefore, these liabilities are not reported as a liability in the governmental funds.	(161,292)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(886,738)</u>
 NET ASSETS OF GOVERNMENTAL ACTIVITIES	 <u>\$ 1,504,069</u>

See Notes to Financial Statements.

VILLAGE OF ELMIRA HEIGHTS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED MAY 31, 2012

<u>REVENUES AND OTHER SOURCES</u>	General	Special Revenue
Revenues		
Real Property Tax	\$ 1,523,180	\$
Real Property Tax Items	34,790	
Non-Property Tax Items	720,479	
Departmental Income	115,502	
Intergovernmental Charges	137,340	
Use of Money and Property	3,754	23,007
Licenses and Permits	10,979	
Fines and Forfeitures	48,222	
Sale of Property and Compensation for Loss	12,741	
Miscellaneous Local Sources	10,740	50
Interfund Revenues	4,800	
State Aid	184,019	
Federal Aid	-0-	229,656
Total Revenues	2,806,546	252,713
Other Sources		
Operating Transfers		
Proceeds of Obligations		
TOTAL REVENUES AND OTHER SOURCES	2,806,546	252,713
<u>EXPENDITURES AND OTHER USES</u>		
Expenditures		
General Government Support	436,358	75,998
Education		
Public Safety	913,738	
Health		
Transportation	380,159	
Economic Assistance & Opportunity		202,347
Culture and Recreation	32,089	
Home and Community Services	155,821	101,372
Employee Benefits	704,022	
Debt Service (Principal and Interest)	103,478	
Total Expenditures	2,725,665	379,717
Other Uses		
Operating Transfers		
TOTAL EXPENDITURES AND OTHER USES	2,725,665	379,717
Revenues and Other Sources Over (Under)		
Expenditures and Other Uses	80,881	(127,004)
Fund Equity and Surplus, Beginning of Year	772,777	603,034
Adjustments:		
Prior Period Adjustments		
Fund Equity Transfers		
Fund Equity and Surplus, End of Year	\$ 853,658	\$ 476,030

See Notes to Financial Statements.



Capital  
Projects  
Fund

Total  
Governmental  
Funds

\$ 1,523,180  
34,790  
720,479  
115,502  
137,340  
26,761  
10,979  
48,222  
12,741  
10,790  
4,800  
184,019  
229,656  
3,059,259

3,059,259

512,356  
913,738  
380,159  
202,347  
32,089  
257,193  
704,022  
103,478  
3,105,382

3,105,382

(46,123)  
1,375,811

\$ 1,329,688

VILLAGE OF ELMIRA HEIGHTS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED MAY 31, 2012

Net change in fund balances - total governmental funds	\$ (46,123)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures however, they are capitalized and depreciated in the statement of activities	33,200
The repayment of long-term debt is reported as an expenditure when due in governmental funds but as a reduction of principal outstanding in the statement of activities	60,674
Some revenues in the statement of revenues and expenditures were not reported on the full accrual basis and are not reported as revenues in the statement of activities.	(17,407)
Some other sources in the statement of revenues and expenditures were not reported as sources on the statement of activity, namely proceeds of debt	-0-
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	<u>(50,206)</u>
Changes in Net Assets of Governmental Activities	<u>\$ (19,862)</u>

See Notes to Financial Statements.

VILLAGE OF ELMIRA HEIGHTS  
STATEMENT OF NET ASSETS  
AGENCY FUND  
MAY 31, 2012

Assets	
Cash and cash equivalents	\$ 9,506
Due from governmental funds	<u>-0-</u>
Total Assets	<u>\$ 9,506</u>
Liabilities	
Agency liabilities	\$ 9,506
Due to governmental funds	<u>-0-</u>
Total Liabilities	<u>\$ 9,506</u>

See Notes to Financial Statements.

VILLAGE OF ELMIRA HEIGHTS  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2012

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Village of Elmira Heights, New York have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). In June 1989 the GASB issued Statement 34 "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments" and Statement 35 "Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities". These statements establish new financial reporting requirements for state and local governments and public colleges and universities throughout the United States. They require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in prior years is affected.

The accompanying financial statements present the financial position of the Village and the various funds and fund types, the results of operations of the Village and the various funds and fund types. The financial statements are presented as of May 31, 2012, and for the year then ended. The financial statements include the various agencies and any other organizations governed by the Elmira Heights Trustees.

A. Financial Reporting Entity.

The Village of Elmira Heights New York, which was established in 1896, is governed by its Charter and other general laws of the State of New York and various local laws. The Board of Trustees is the legislative body responsible for the overall operation of the Village. The Mayor serves as chief executive officer and as chief fiscal officer of the Village.

The Village provides the following basic services: law enforcement, economic assistance, maintenance of Village roads and parks, building codes, fire safety and trash removal. All government activities and functions performed for the Village of Elmira Heights are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of (a) the primary government which is the Village of Elmira Heights, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement 14.

VILLAGE OF ELMIRA HEIGHTS  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
MAY 31, 2012

The decision to include a potential component unit in the Village of Elmira Heights's reporting entity is based on several criteria set forth in GASB 14 including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the Elmira Heights Urban Renewal Agency is included in the reporting entity and is blended into the Village's financial statements. It administers federal grants under the U.S. Department of Housing and Urban Development. The year end for the Agency is June 30, 2012. Complete financial statements of this Agency can be obtained from its administrative office located in the Village of Elmira Heights.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information of all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these government-wide financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a specific function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The Village does not allocate general government (indirect) to other functions.

Separate financial statements are provided for governmental funds.

C. Measurement Focus, Basis of Accounting  
and Financial Statement Presentation

Government-Wide Financial Statements - The governmental-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

VILLAGE OF ELMIRA HEIGHTS  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
MAY 31, 2012

Governmental Fund Financial Statements - The Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Principal revenue sources considered to be susceptible to accrual include federal grants, state grants, and sales and property taxes. Other revenues have been accrued in accordance with generally accepted accounting principles since they have been earned and are expected to be collected within 60 days of the end of the period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual of accounting include:

- Employees' vested annual leave is recorded as an expenditure when utilized. The amount of accumulated annual leave unpaid at May 31, 2012, has been reported in the governmental funds for the portion estimated to be used in the following year and in the government-wide financial statements for the long-term liability.
- Interest on general long-term obligations is recognized when paid.
- Executory purchase orders and contracts are recorded as a reservation of fund balances.
- Debt service expenditures and claims and judgements are recorded only when payment is due.

#### D. Fund Accounting

The accounts of the Village are organized on the basis of funds each of which is considered a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, and where appropriate, fund balance/retained earnings, revenues and expenditures/expenses which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are summarized by type in the financial statements. The following fund types:

##### 1. Governmental Funds

Governmental funds are those through which most governmental functions of the Village are financed. The acquisition, use and balances of the Village's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position. The following are the Village's governmental fund types:

VILLAGE OF ELMIRA HEIGHTS  
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MAY 31, 2012

a. General Fund - The general fund is the principal fund and includes all operations not required to be recorded in other funds.

b. Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The special revenue funds of the Village include the Elmira Heights Urban Renewal Agency.

2. Fiduciary Fund Type

Trust and Agency Funds - used to account for funds held in trust and subsequent distributions, transmittal or release to other governments, individuals or to other funds.

3. Financial Statement Reporting Periods

The accompanying financial statements of the Village are presented as of May 31, 2012, and for the year then ended. The Elmira Heights Urban Renewal Agency's fiscal year end is June 30, 2012.

E. Property Taxes

Village real property taxes are levied annually no later than June 1 and become a lien on January 1. Taxes are collected during the period June 1st to no later than 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.

F. General Budget Policies

1. The Village employs the following budgetary procedures:

- a. No later than March 15, the budget office submits a tentative budget to the board of Trustees the fiscal year commencing the following June 1. The tentative budget includes proposed expenditures and the proposed means of financing them. The budget is prepared on a departments basis.
- b. After public hearings are conducted to obtain taxpayer comments, but no later than May 20, the trustees adopt the annual budget.
- c. All revisions that alter appropriations of any department or fund must be approved by the trustees.
- d. Budgetary controls are established for the capital projects funds through resolutions authorizing individual projects.
- e. No budgets are approved for the special revenue fund.

VILLAGE OF ELMIRA HEIGHTS  
NOTES TO FINANCIAL STATEMENTS  
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MAY 31, 2012

2. Budget Basis of Accounting

Except as indicated below, budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year, if any.

Budgetary control for the special grant fund is established in accordance with the applicable grant agreement which covers a period other than the Village's fiscal year.

G. Inventories

Inventories of materials and supplies are determined by physical counts. Inventories are valued at cost on the first-in first-out basis.

H. Compensatory Absences

Compensated vacation and sick leave absences are recorded as expenditures and as a liability in governmental funds as funds are accumulated. The government wide financial statements present the cost of accumulated vacation and sick leave as a liability. The liability for compensated absences increased by \$32,266 to \$182,870 at year end.

I. Capital Assets

Capital assets , which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Purchased and constructed capital assets are valued at historical cost or estimated historical cost. Donated fixed assets are recorded at their fair market value at the date of donation.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements. Capital assets of the primary and the component units are depreciated on the straight-line method over the assets' estimated useful life. There is no depreciation recorded for land and construction in progress.



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MAY 31, 2012

J. Post Employment Benefits

In addition to providing pension benefits, the Village provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the Village's employees become eligible for these benefits if they reach normal retirement age while working for the Village. The Village recognizes the cost of providing benefits by recording its share of insurance premiums as expenditures in the year paid. Note that the Village has not adopted the provisions of Governmental Accounting Standards Board's Statement Number 45, "Accounting and Reporting by Employers' for Post Retirement Benefits Other Than Pensions".

K. Subsequent Events

The Village has conducted an evaluation of potential subsequent events occurring after the statement of net assets date through October 28, 2012, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

Note 2 - Departure From Generally Accepted Accounting Principles

The Village's financial statements do not include the provisions of Governmental Accounting Standards Board's Statement Number 45, "Accounting and Reporting by Employers' for Post Retirement Benefits Other Than Pensions". Such statement requires the reporting of a liability and annual expenses related to the costs of retirees' health insurance benefits similar to the method used to record pensions. The statement of net assets and the statement of activity for governmental activities do not include these provisions. The effect on the financial statements for the liability and associated expenses is not reasonably determinable.

Note 3 - Detail Notes on All Funds and Account Groups

A. Assets

1. Cash and Credit Risk

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

VILLAGE OF ELMIRA HEIGHTS  
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MAY 31, 2012

Collateral is required for demand deposits and certificates of deposit at 105 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United State and its agencies and obligations of the State and its municipalities and school districts.

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

Deposits and investments at year-end were entirely covered by federal depository insurance or by collateral held by the Village's custodial bank in the Village's name. They consisted of:

Deposits. All deposits including certificates of deposit are carried at cost.

<u>Fund</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>	
General	\$ 250,000	\$ 250,000	Insured (FDIC)
Trust & Agency	9,506	10,000	Collateral Held
General	718,862	760,000	Collateral Held
Special			
Revenue	250,000	250,000	Insured (FDIC)
Special			
Revenue	226,030	250,000	Collateral Held

2. Restricted Cash

Restricted cash in the general fund of \$75,560 consists of cash set aside for repairs.

3. Account Receivable

The Village participates in a variety of federal and state programs that enable it to receive grants to partially or fully finance activities of the Village which include issuing economic loans. The amounts due from businesses as of June 30, 2012 are summarized below:

Housing Rehab Loans	\$ 14,073
Economic Loans	229,338
Total Loans	<u>243,411</u>
Less: Allowance for Uncollectables	-0-
Net Notes Receivable	<u>\$ 243,411</u>

During the year ended June 30, 2012, no of loans were written off by the agency as uncollectable. The current portion of the notes receivable is \$36,666.

VILLAGE OF ELMIRA HEIGHTS  
 NOTES TO FINANCIAL STATEMENTS  
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MAY 31, 2012

4. Capital Assets

Capital asset activity for the year ended May 31, 2012, was as follows:

	Balance Beginning of Year	Net Additions (Disposals)	Balance End of Year
<u>Governmental activities</u>			
Nondepreciable assets:			
Land	\$ 22,000	\$ -0-	\$ 22,000
Construction in progress	-0-	-0-	-0-
Total nondepreciable assets	<u>22,000</u>	<u>-0-</u>	<u>22,000</u>
Depreciable assets:			
Buildings and improvements	1,719,885	-0-	1,719,885
Machinery and equipment	2,266,778	33,200	2,299,978
Infrastructure	182,748	-0-	182,748
Total depreciable assets	<u>4,169,411</u>	<u>33,200</u>	<u>4,202,611</u>
Less accumulated depreciation:			
Buildings and improvements	1,715,015	166	1,715,181
Equipment	1,374,798	93,031	1,467,829
Infrastructure	54,819	18,898	73,717
Total accumulated depreciation	<u>3,144,632</u>	<u>112,095</u>	<u>3,256,727</u>
Governmental activities capital assets, net	<u>\$ 1,046,779</u>	<u>\$ (78,895)</u>	<u>\$ 967,884</u>

Current period depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
General government support	\$ 2,371
Public safety	92,088
Transportation	<u>17,636</u>
Total depreciation expense - governmental activities	<u>\$ 112,095</u>

B. Liabilities

1. Pension Plan

The Village of Elmira Heights participates in the New York State Employees' Retirement System (NYSRSSL). This is a cost sharing multiple public employer retirement system. 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 serves as sole trustee, and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith Office Building, Albany, NY 12244.

VILLAGE OF ELMIRA HEIGHTS  
 NOTES TO FINANCIAL STATEMENTS  
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MAY 31, 2012

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

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

	ERS & P&F
2012	\$ 196,698
2011	\$ 140,913
2010	\$ 99,852

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

Since 1989, The System's billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 over a 17 year period, with an 8.75% interest factor added. There is no unpaid liability at May 31, 2012.

2. Deferred Revenues

In the special revenue fund deferred revenues consist of notes receivable not available to pay current liabilities at year end of \$243,411.

3. Long Term Debt

Changes in long term debt for the year ended May 31, 2012 are as follows:

Balance May 31, 2011	\$ 947,412
Principal Paid	(60,674)
New Debt Issued	<u>          -0-</u>
Balance May 31, 2012	<u>\$ 886,738</u>

VILLAGE OF ELMIRA HEIGHTS  
NOTES TO FINANCIAL STATEMENTS  
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MAY 31, 2012

Outstanding debt at May 31, 2012 is as follows:

Description	Date	Interest	Original Amount	Outstanding May 31, 2012
Capital Lease Sweeper	5/8/07	5.51%	148,400	46,738
Public Imp. Bond	6/15/08	4.375%	840,000	770,000
Statutory Inst. Bond	6/6/08	3.65%	100,000	70,000
Total				<u>\$ 886,738</u>

The following table summarizes the Village's future debt service requirement as of May 31, 2011:

Year Ending	<u>Principal</u>	<u>Interest</u>
2013	\$ 62,449	\$ 38,696
2014	69,289	35,670
2015	45,000	32,468
2016	45,000	30,206
2017	50,000	28,201
2017-21	235,000	110,852
2022-26	260,000	59,166
2927-28	120,000	5,662

C. Fund Equity

Reservation of Fund Balances - General Fund

Fund balances are reserved for specific purposes at year end. Fund balance reservations at year end are for compensated absences, repairs and vehicle replacement. See also footnote on restricted cash.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF ELMIRA HEIGHTS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
YEAR ENDED MAY 31, 2012

REVENUES AND OTHER SOURCES	General		Fund
	Budgeted Original	Amounts Final	Actual
Revenues			
Real Property Taxes	\$ 1,523,180	\$ 1,523,180	\$ 1,523,180
Real Property Tax Items	10,000	10,000	34,790
Non-Property Tax Items	674,002	674,002	720,479
Departmental Income	149,774	149,774	115,502
Intergovernmental Charges	137,500	137,500	137,340
Use of Money and Property	3,040	3,040	3,754
Licenses and Permits	3,265	3,265	10,979
Fines and Forfeitures	65,000	65,000	48,222
Sale of Property and Compensation for Loss	1,000	4,576	12,741
Miscellaneous Local Sources	2,000	2,000	10,740
Interfund Revenues	4,800	4,800	4,800
State Aid	196,767	222,408	184,019
Federal Aid			
Total Revenues	2,770,328	2,799,545	2,806,546
Other Sources			
Operating Transfers			
TOTAL REVENUES AND OTHER SOURCES	2,770,328	2,799,545	2,806,546
EXPENDITURES AND OTHER USES			
Expenditures			
General Government Support	480,169	471,705	436,358
Education			
Public Safety	870,349	913,984	913,738
Health			
Transportation	400,270	409,366	380,159
Economic Assistance & Opportunity			
Culture and Recreation	34,773	35,273	32,089
Home and Community Services	191,766	191,766	155,821
Employee Benefits-Unallocated	726,141	726,141	704,022
Debt Service (Principal & Int.)	96,727	103,478	103,478
Total Expenditure and Encumbrances	2,800,195	2,851,713	2,725,665
Other Uses			
Operating Transfers			
TOTAL EXPENDITURES AND OTHER USES	2,800,195	2,851,713	2,725,665
Revenues & Other Sources Over (Under) Expenditures, Encumbrances and and Other Uses	\$ (29,867)	\$ (52,168)	80,881
Fund Equity - Beginning of Year			772,777
Prior Period Adjustments			
Fund Equity Transfers			
Fund Equity - End of Year			\$ 853,658

See Notes to Financial Statements.

Variance With  
Final Budget  
Positive  
(Negative)

\$ -0-  
24,790  
46,477  
(34,272)  
(160)  
714  
7,714  
(16,778)  
  
8,165  
8,740  
-0-  
(38,389)  
-0-  
7,001

7,001

35,347

246

29,207

3,184

35,945

22,119

-0-

126,048

126,048

\$ 133,049