

VILLAGE OF CASSADAGA

FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTAL INFORMATION

YEAR ENDED MAY 31, 2014

BAHGAT
&

VILLAGE OF CASSADAGA

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LAURITO-BAHGAT
Certified Public Accountants, P.C.
Providing the Tools for Financial Success

Sham Dean Bahgat, CPA
Louann Laurito-Bahgat, CPA

Independent Auditor's Report

The Board of Trustees of the
Village of Cassadaga
Cassadaga, New York

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Cassadaga's basic financial statements. The accompanying supplemental material, listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The supplemental material and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying

accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental material and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2015 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.


Bahgat & Laurito-Bahgat,
Certified Public Accountants, P.C.

February 3, 2015

**Village of Cassadaga
Management's Discussion and Analysis
For the Year Ended May 31, 2014**

Our discussion and analysis of the Village of Cassadaga's financial performance provides an overview of the Village's financial activities for the year ended May 31, 2014. This section is only an introduction and should be read in conjunction with the Village's financial statements, which immediately follow this section.

The year ended May 31, 2013 did not require financial statements prepared in accordance with Governmental Accounting and Standards Board Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments" (GASB No. 34). As such, only one year of data is presented for the fiscal year ending May 31, 2014.

FINANCIAL HIGHLIGHTS

Capital Projects: During the year ended May 31, 2009 the Village embarked on a new capital project. The project was to clean, replace, and add new water lines to an existing water district. The project also included building a water treatment building, new water well, water tank, and booster station. The project was completed by May 31, 2014 with a total cost of \$4,035,798.

Significant debt issuance: Costs of the water district project were financed by the issuance of a \$3,170,000 Bond Anticipation Note (BAN) on August 10, 2012 at a 1.4% interest rate due August 9, 2013. The BAN was renewed for a fifth time on August 9, 2013 for \$3,000,000 at a .68% interest rate and \$740,000 at a 1.125% interest rate due August 9, 2013. The Village received a \$3,785,000 loan from the United States Department of Agriculture on May 1, 2014 with terms of 2.5% interest per annum maturing August 1, 2048. The Village paid off the BAN with the proceeds from the USDA loan.

Reserve for debt service: The Village charges a debt service fee of \$95.00 per billing cycle to each water customer to help cover the costs of the interest expense on the BAN. The Village also charges an annual debt service fee to Job Corp and Lily Dale. For the fiscal year 2013-2014 revenue from debt service charges totaled \$154,849, respectively. The proceeds from the debt service fee charged to residents in the water district are charged against interest expense on the BAN, leaving a balance of \$392,201 in the "Reserve for debt service" account at May 31, 2014.

<p style="text-align: center;">Village of Cassadaga Management's Discussion and Analysis For the Year Ended May 31, 2014</p>

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net position 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. The fund financial statements tell how these services were financed in the Village's operations in more detail than the government-wide statements by providing information about the Village's most significant funds.

REPORTING THE VILLAGE AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

These two statements report the Village's net position and how it has changed. Net position – the difference between the Village's assets and liabilities – is one way to measure the Village's financial health or *position*.

- Over time, increases or decreases in the Village's net position are an indicator of whether its financial position is improving or deteriorating.
- Other non-financial factors need to be considered, 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.

The Village has the following funds:

Governmental activities – All of the Village's basic services are reported here, including public safety, public works, health, economic development, and general administration. Property taxes, sales tax distributions from the county, water service charges, and State revenue finance most of these activities.

Fiduciary activities – The Village is the trustee, or fiduciary, for assets that belong to others. The Village is responsible for ensuring that the assets reported in this fund are used only for their intended purposes. The Village excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations. The Village had no balances to report in the fiduciary fund for May 31, 2014.

**Village of Cassadaga
Management's Discussion and Analysis
For the Year Ended May 31, 2014**

REPORTING THE VILLAGE'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Our analysis of the Village's major funds 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 bond covenants.

Governmental Funds: 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 assets 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 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 position and the statement of activities) and Governmental Funds in reconciliation statements that are included as part of these financial statements.

Village of Cassadaga
Management's Discussion and Analysis
For the Year Ended May 31, 2014

THE VILLAGE AS A WHOLE

The Village's net assets decreased from \$2,530,647 to \$2,461,279. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Village's governmental activities.

Table 1
Net Position
Governmental
Activities

Current assets and other assets	\$ 906,992
Capital assets	5,347,881
Total assets	6,254,873
Long-term debt outstanding	3,699,000
Other liabilities	94,594
Total liabilities	3,793,594
Net position	
Net investment in capital assets	1,955,082
Restricted	481,594
Unrestricted	24,603
Total net position	\$ 2,461,279

<p style="text-align: center;">Village of Cassadaga Management's Discussion and Analysis For the Year Ended May 31, 2014</p>

THE VILLAGE AS A WHOLE (Continued)

	Table 2 Changes in Net Position <i>Governmental</i> <i>Activities</i>
Revenues	
Program revenues	
Charges for services	\$ 294,731
Operating grants	17,423
General revenues	
Property taxes	122,017
Other tax items	1,451
Non-property tax items	119,676
Use of money and property	1,340
Sale of property and compensation for loss	331
Miscellaneous	105
State aid	8,404
Total revenues	<u>565,478</u>
Program expenses	
General government support	110,169
Public safety	63,381
Health	30
Transportation	201,973
Culture and recreation	44,614
Home and community service	176,317
Debt service	38,362
Total expenses	<u>634,846</u>
Decrease in net position	<u><u>\$ (69,368)</u></u>

**Village of Cassadaga
Management's Discussion and Analysis
For the Year Ended May 31, 2014**

THE VILLAGE AS A WHOLE (Continued)

Table 3 presents the cost of each of the Village's governmental programs: general government support, public safety, health, transportation, culture and recreation, home and community service, and debt service as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial cost paid by the Village's taxpayers and other general revenue sources for each of these functions.

Table 3		
Governmental Activities		
	Total Cost of Services	Net Cost of Services
General government support	\$ 110,169	\$ 109,224
Public safety	63,381	63,381
Health	30	(10)
Transportation	201,973	184,782
Culture and recreation	44,614	43,985
Home and community service	176,317	37,817
Debt service	38,362	(116,487)
Totals	\$ 634,846	\$ 322,692

THE VILLAGE'S FUNDS

General Governmental Functions

As of May 31, 2014 the Village's governmental funds reported a combined fund balance of \$906,435. The governmental funds positive balance is due to the completion and permanent financing of the Village's capital project.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2013-2014 fiscal year, significant changes between the original budget and the actual expenditures occurred in a few areas in the General Fund (Non-GAAP Basis):

- Non-property tax items had a final budget of \$116,000. Actual income in this category was \$119,676, resulting in a favorable variance of \$3,676. The Village received more sales tax distribution from the county than what was budgeted. The Village did increase the budget amount for Sales Tax Distribution by \$10,000 from the year before, but still received \$4,375 more than budgeted. Also, the Village increased the Franchise Fees budget amount by \$1,000, but was \$700 short in franchise revenues.

**Village of Cassadaga
Management's Discussion and Analysis
For the Year Ended May 31, 2014**

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

- State aid revenue had a final budget of \$35,209. Actual income in this category was \$25,827, resulting in an unfavorable variance of \$9,382. The Village did not use their CHIPS funding because there wasn't enough funding available to blacktop a full street so they were unable to take advantage. The CHIPS money does roll over so the Village will use it in next year's budget.
- General Government Support had a final budget of \$135,199. The actual expenditures were \$98,540, resulting in a favorable variance of \$36,659. This was partially due to neither the Mayor nor the Trustees expending their budgets, which saved \$2,260. Also, \$12,000 of contingency was budgeted but not expended this fiscal year. The Village budgeted \$12,448 more than what was expended in the Buildings-Contractual account. The Village budgeted for remodeling of the kitchen and it was done much cheaper than expected. Building equipment costs were budgeted and not used totaling \$1,080; and for Treasurer equipment that was not used saving \$2,180. The Deputy Clerk did not put in as many hours as previous year and saved \$3,635.
- Transportation had a final budget of \$114,993. The actual expenditures were \$103,142 resulting in a favorable variance of \$11,851. Part of this variance was the result of a difference between the budgeted and actual amounts for CHIPS due to not as much roadwork being done in this fiscal year. The amount expended for the DPW fuel account was lower than expected and not as many vehicle breakdowns as in the prior year. Street lighting, which was budgeted at \$12,000, only had \$10,490 expended out of it.
- Culture and recreation had a final budget of \$53,600. The actual expenditures were \$34,101, resulting in a favorable variance of \$19,499. Our Beach Director worked diligently not to exceed the budget and did not have extended hours as in the previous year. There were no concerts at the beach as in previous years and no repairs were needed. The beach was also closed because of rainy days. The net result was a savings of over \$10,000. There was money budgeted for ball fields, but the Village could not find anyone to perform the work desired, which resulted in a savings of \$3,700. The Village budgeted \$4,000 for Ames Common, but only spent \$2,950 and put money in for Band Concerts in the park and none were held saving \$1,500. There was a lack of interest to get bands scheduled. They budgeted \$3,000 for Celebrations and were planning on a winter festival, but the festival plans were not carried out.

**Village of Cassadaga
Management's Discussion and Analysis
For the Year Ended May 31, 2014**

CAPITAL ASSET AND ADMINISTRATION

Capital Assets

At May 31, 2014, the Village had \$5,347,881 various capital assets, including land, buildings and improvements, infrastructure, and machinery and equipment.

Table 4
**Capital Assets
at Year-End**

Land	\$ 40,000
Buildings and improvements	2,289,487
Infrastructure	5,510,316
Machinery and equipment	1,117,095
	<u>8,956,898</u>
Accumulated depreciation	(3,609,017)
Total	<u>\$ 5,347,881</u>

FUTURE ECONOMIC FACTORS

At the time these financial statements were prepared and audited, the Village was aware of the following circumstances that could significantly affect its financial health in the future:

- Governor Cuomo and the State Legislature enacted the Property Tax Freeze Credit as part of the 2015 State budget. The requirements to qualify for the Property Tax Freeze Credit will be phased in over two years. In the first year the Village must comply with the New York State Property Tax Cap for the 2015-2016 fiscal year. In the second year the Village must comply with the New York State Property Tax Cap and also comply with a Government Efficiency Plan required to be submitted by June 1, 2015 to reduce costs by consolidating services. The Plan must be determined to be compliant by the State Division of Budget. The Government Efficiency Plan must generate savings of 1% of the tax levy in the 2017-2018, 2018-2019 and 2019-2020 fiscal years. The Village plans to comply with the requirements of the Property Tax Freeze Credit in future fiscal years.
- The Village is anticipating an increase in costs associated with the NYS Retirement system due to the current status of the investment sector.

**Village of Cassadaga
Management's Discussion and Analysis
For the Year Ended May 31, 2014**

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Village's citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village office at 22 Mill Street, Cassadaga, NY 14718.

FINANCIAL STATEMENTS

Village of Cassadaga
Statement of Net Position
May 31, 2014

ASSETS	
Cash	
Unrestricted	\$ 384,593
Restricted	481,594
Receivables	
Other	40,805
Capital assets, net	5,347,881
Total Assets	\$ 6,254,873
LIABILITIES AND NET POSITION	
LIABILITIES	
Payables	
Interest payable	\$ 8,037
Other	557
Long-term liabilities	
Due and payable within one year	
Installment bonds	86,000
Due and payable after one year	
Installment bonds	3,699,000
Total Liabilities	3,793,594
NET POSITION	
Net investment in capital assets	1,955,082
Restricted	481,594
Unrestricted	24,603
Total Net Position	2,461,279
Total Liabilities and Net Position	\$ 6,254,873

Village of Cassadaga
Statement of Activities and Changes in Net Position
For the Year Ended May 31, 2014

	Expenses	Program Revenues Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS				
General governmental support	\$ 110,169	\$ 945	\$ -	\$ (109,224)
Public safety	63,381	-	-	(63,381)
Health	30	40	-	10
Transportation	201,973	-	17,191	(184,782)
Culture and recreation	44,614	629	-	(43,985)
Home and community services	176,317	138,268	232	(37,817)
Debt service	38,362	154,849	-	116,487
Total Functions and Programs	\$ 634,846	\$ 294,731	\$ 17,423	(322,692)
GENERAL REVENUES				
Real property taxes				122,017
Other tax items				1,451
Non-property tax items				119,676
Use of money and property				1,340
Sale of property and compensation for loss				331
Miscellaneous				105
State aid				8,404
Total General Revenues				253,324
Change in Net Position				(69,368)
Total Net Position - Beginning of year				2,530,647
Total Net Position - End of year				\$ 2,461,279

Village of Cassadaga
Balance Sheet - Governmental Funds
May 31, 2014

Major				Total Governmental Funds
ASSETS	General	Water	Capital Project	
Cash				
Unrestricted	\$ 143,341	\$ 241,252	\$ -	\$ 384,593
Restricted	80,393	401,201	-	481,594
Receivables				
Other	-	40,805	-	40,805
Total Assets	\$ 223,734	\$ 683,258	\$ -	\$ 906,992
LIABILITIES				
Payables				
Other	\$ -	\$ 557	\$ -	\$ 557
Total Liabilities	-	557	-	557
FUND BALANCES				
Restricted:				
Reserve for fire equipment	25,393	-	-	25,393
Reserve for highway equipment	25,000	-	-	25,000
Reserve for building renovation/addition	30,000	-	-	30,000
Reserve for debt service	-	392,201	-	392,201
Reserve for repairs	-	9,000	-	9,000
Assigned	79,313	86,687	-	166,000
Unassigned	64,028	194,813	-	258,841
Total Fund Balances	223,734	682,701	-	906,435
Total Liabilities and Fund Balances	\$ 223,734	\$ 683,258	\$ -	\$ 906,992

Village of Cassadaga
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
May 31, 2014

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS				
Cash - unrestricted	\$ 384,593	\$ -	\$ -	\$ 384,593
Cash - restricted	481,594	-	-	481,594
Other receivables	40,805	-	-	40,805
Land, buildings and equipment (net)	-	5,347,881	-	5,347,881
Total Assets	\$ 906,992	\$ 5,347,881	\$ -	\$ 6,254,873
LIABILITIES				
Interest payable	\$ -	\$ 8,037	\$ -	\$ 8,037
Installment bonds payable	-	3,785,000	-	3,785,000
Other payables	557	-	-	557
Total Liabilities	557	3,793,037	-	3,793,594
FUND BALANCE/NET POSITION				
Total Fund Balance/Net Position	906,435	1,554,844	-	2,461,279
Total Liabilities, Fund Balance/Net Position	\$ 906,992	\$ 5,347,881	\$ -	\$ 6,254,873

**Village of Cassadaga
Reconciliation of the Balance Sheet
to the Statement of Net Position - Governmental Funds
For the Year Ended May 31, 2014**

Fund Balances - total governmental funds		\$ 906,435
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	\$ 8,956,898	
Less accumulated depreciation	(3,609,017)	
		5,347,881
Long-term liabilities including bonds payable, compensated absences and post-employment benefits are not due and payable in the current period and therefore are not reported in the funds.		
Interest payable	(8,037)	
Installment bonds payable	(3,785,000)	
		(3,793,037)
Net position of governmental activities		\$ 2,461,279

Village of Cassadaga
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended May 31, 2014

Major			
	General	Water	Capital Projects
REVENUES			Total Governmental Funds
Real property taxes	\$ 122,017	\$ -	\$ -
Other tax items	1,451	-	-
Non-property tax items	119,676	-	-
General government	875	-	-
Health	40	-	-
Culture and recreation	629	-	-
Home and community services	400	-	-
Metered water sales	-	57,788	-
Intergovernmental	26,911	53,169	-
Debt service - water	-	154,849	-
Use of money and property	468	764	108
Licenses and permits	20	-	-
Fines and forfeitures	50	-	-
Sale of property and compensation for loss	331	-	-
Miscellaneous	-	-	105
State aid	25,827	-	-
Total Revenues	298,695	266,570	213
EXPENDITURES			
General governmental support	98,540	-	-
Public safety	22,445	-	-
Health	30	-	-
Transportation	103,142	-	-
Culture and recreation	34,101	-	-
Home and community service	2,575	78,338	-
Employee benefits	26,477	23,966	-
Debt service			
Principal	-	72,000	-
Interest	-	66,199	-
Capital outlay	-	-	835,987
Total Expenditures	287,310	240,503	835,987
Excess/(Deficiency) of Revenues over Expenditures	11,385	26,067	(835,774)
Other Financing Sources and (Uses)			
Proceeds from debt	-	-	3,785,000
Transfers to other funds	-	-	(172,934)
Transfers from other funds	-	172,934	-
BANs redeemed from appropriations	-	-	72,000
Total Other Sources (Uses)	-	172,934	3,684,066
Excess/(Deficiency) of Revenue and Other Sources Over Expenditures and Other (Uses)	11,385	199,001	2,848,292
Fund Balances, Beginning of Year	212,349	483,700	(2,848,292)
Fund Balances, End of Year	\$ 223,734	\$ 682,701	\$ -
			\$ 906,435

Village of Cassadaga
Reconciliation of Governmental Funds Revenues, Expenditures, and Changes in
Fund Balance to the Statement of Activities
For the Year Ended May 31, 2014

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Eliminations and Reclassifications	Statement of Activities Totals
REVENUES						
Real property taxes	\$ 122,017	\$ -	\$ -	\$ -	\$ -	\$ 122,017
Other tax items	1,451	-	-	-	-	1,451
Non-property tax items	119,676	-	-	-	-	119,676
General government	875	-	-	-	-	875
Health	40	-	-	-	-	40
Culture and recreation	629	-	-	-	-	629
Home and community services	400	-	-	-	-	400
Metered water sales	57,788	-	-	-	-	57,788
Intergovernmental	80,080	-	-	-	-	80,080
Debt service - water	154,849	-	-	-	-	154,849
Use of money and property	1,340	-	-	-	-	1,340
Licenses and permits	20	-	-	-	-	20
Fines and forfeitures	50	-	-	-	-	50
Sale of property and compensation for loss	331	-	-	-	-	331
Miscellaneous	105	-	-	-	-	105
State aid	25,827	-	-	-	-	25,827
Total Revenues	565,478	-	-	-	-	565,478
EXPENDITURES/EXPENSES						
General governmental support	98,540	-	2,526	-	9,103	110,169
Public safety	22,445	-	40,936	-	-	63,381
Heath	30	-	-	-	-	30
Transportation	103,142	-	85,156	-	13,675	201,973
Culture and recreation	34,101	-	3,183	-	7,330	44,614
Home and community service	80,913	-	75,069	-	20,335	176,317
Employee benefits	50,443	-	-	-	(50,443)	-
Debt service						
Principal	72,000	-	-	(72,000)	-	-
Interest	66,199	-	-	(27,837)	-	38,362
Capital outlay	835,987	-	(835,987)	-	-	-
Total Expenditures	1,363,800	-	(629,117)	(99,837)	-	634,846
Excess (Deficiency) of Revenues Over Expenditures	(798,322)	-	629,117	99,837	-	(69,368)
OTHER SOURCES AND USES						
Proceeds from debt	3,785,000	-	-	(3,785,000)	-	-
Operating transfers in	(172,934)	-	-	-	172,934	-
Operating transfers (out)	172,934	-	-	-	(172,934)	-
BANs redeemed from appropriations	72,000	-	-	(72,000)	-	-
Total Other Sources (Uses)	3,857,000	-	-	(3,857,000)	-	-
Net Change for the Year	\$ 3,058,678	\$ -	\$ 629,117	\$ (3,757,163)	\$ -	\$ (69,368)

Village of Cassadaga
Notes to Financial Statements
For the Year Ended May 31, 2014

Note 1 - Summary of Certain Significant Accounting Policies

The financial statements of the Village of Cassadaga (the Village) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies utilized by the Village are described below:

A. Reporting Entity

The Village of Cassadaga is governed by the laws of New York State. The Village is an independent entity governed by an elected Village Board consisting of four Trustees. The Mayor serves as the chief fiscal officer and the chief executive officer. The Board is responsible for, and controls all activities within the Village. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The Village provides the following basic services; lighting, maintenance of Village roads including the control of snow and ice removal on contracted village roads, cultural and recreation programs, and water transmission and distribution systems. All governmental activities and functions performed for the Village of Cassadaga are the direct responsibility of the Village Board. Therefore, no other governmental organizations have been included in nor excluded from the Village's reporting entity.

B. Basis of Presentation

1. Village-wide statements:

The Statement of Net Position and the Statement of Activities present financial information about the Village's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and nonexchange transactions.

The Statement of Activities presents a comparison between program expenses and revenues for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

<p style="text-align: center;">Village of Cassadaga Notes to Financial Statements For the Year Ended May 31, 2014</p>
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Note 1 - Summary of Certain Significant Accounting Policies (Continued)

B. Basis of Presentation (continued)

2. Fund financial statements:

The fund statements provide information about the Village's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

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 upon the determination of financial position and changes in financial position (the sources, uses, and balances of current financial resources). The following are the Village's governmental fund types.

General Fund: This is the Village's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Water Fund: This fund accounts for the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by the governments that provide the funds or by outside parties.

Capital Projects Funds: These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by enterprise, or internal service funds.

C. Measurement Focus and Basis of Accounting

The Village-wide and fund 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 at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Village gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Village of Cassadaga
Notes to Financial Statements
For the Year Ended May 31, 2014

Note 1 - Summary of Certain Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Village considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

D. Property Taxes

Real property taxes are levied annually by the Village Board and become a lien no later than June 1. Taxes were collected through the period ending September 30.

Uncollected real property taxes are subsequently enforced by Chautauqua County, in which the Village is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the Village no later than the following April 30.

E. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Village's policy concerning which to apply first varies with the intended use and with associated legal requirements, many of which are described elsewhere in these Notes.

F. Interfund Transactions

The operations of the Village include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The Village typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

In the Village-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types. Eliminations have been made for all interfund receivables and payables between the funds.

<p style="text-align: center;">Village of Cassadaga Notes to Financial Statements For the Year Ended May 31, 2014</p>
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Note 1 - Summary of Certain Significant Accounting Policies (Continued)

F. Interfund Transactions (Continued)

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the Village's practice to settle these amounts at a net balance based upon the right of legal offset.

The Village had no interfund receivable or payables as of May 31, 2014.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, potential contingent liabilities and useful lives of long-lived assets.

H. Cash (and cash equivalents)/Investments

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

New York State law governs the Village's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, and repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC 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 Villages.

I. Accounts Receivable

Receivables (accounts receivable) are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

<p style="text-align: center;">Village of Cassadaga Notes to Financial Statements For the Year Ended May 31, 2014</p>
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Note 1 - Summary of Certain Significant Accounting Policies (Continued)

J. Other Assets/Restricted Assets

Certain proceeds from bond anticipation notes, as well as resources set aside for their repayment are classified as restricted assets in the Village-wide financial statements and their use is limited by applicable bond covenants.

K. Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to May 31, 2010. For assets acquired prior to June 1, 2010, estimated historical costs, based on appraisals conducted by independent third party professionals, were used.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the Village-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$5,000	Straight - line	50 years
Building improvements	\$5,000	Straight - line	40 years
Site improvements	\$5,000	Straight - line	20 years
Machinery and equipment	\$5,000	Straight - line	5-20 years

L. Other Benefits

Village employees participate in the New York State Employees' Retirement System.

The Village does not provide any post-employment benefits.

M. Short-term Debt

The Village may issue Bond Anticipation Notes (BAN), 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. The Village had no BANs outstanding at May 31, 2014.

<p style="text-align: center;">Village of Cassádaga Notes to Financial Statements For the Year Ended May 31, 2014</p>
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Note 1 - Summary of Certain Significant Accounting Policies (Continued)

N. Accrued Liabilities and Long-term Obligations

Payables, accrued liabilities and long-term obligations are reported in the Village-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the Village's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

O. Equity Classifications

Village-wide statements:

In the Village-wide statements there are three classes of net position:

Net investment in capital assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

Restricted net position – reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – reports the balance of net position that does not meet the definition of the above two classifications and are deemed to be available for general use by the Village.

Funds statements:

In the fund basis statements there are five classifications of fund balance:

Non-spendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The Village has no non-spendable fund balances as of May 31, 2014.

Village of Cassadaga
Notes to Financial Statements
For the Year Ended May 31, 2014

Note 1 - Summary of Certain Significant Accounting Policies (Continued)

O. Equity Classifications (Continued)

Funds statements (Continued):

Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General fund are classified as restricted fund balance. The Village has established the following restricted fund balances:

Reserve for Fire Equipment

The equipment reserve is used to establish a reserve for the purpose of purchasing equipment.

Reserve for Highway Equipment

The equipment reserve is used to establish a reserve for the purpose of purchasing highway equipment.

Reserve for Building Renovation/Addition

The building reserve is used to establish a reserve for the purpose of paying for building improvements and additions.

Reserve for Repairs

The repairs reserve is used to establish a reserve for the purpose of paying for repairs to equipment.

Reserve for Debt Service

The debt service reserve is used to establish a reserve for the purpose of paying interest and principal on debt.

Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the Village's highest level of decision making authority, i.e., the Board of Trustees. The Village has no committed fund balances as of May 31, 2014.

Village of Cassadaga
Notes to Financial Statements
For the Year Ended May 31, 2014

Note 1 - Summary of Certain Significant Accounting Policies (Continued)

O. Equity Classifications (Continued)

Funds statements (Continued):

Assigned - Includes amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed. The Village has appropriated \$79,313 to reduce the tax levy. Additionally, the Water Fund has assigned funds of \$86,687.

Unassigned – Includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the Village.

Order of Use of Fund Balance:

The Village's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first, and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

P. New Accounting Standards

The Village has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At May 31, 2014, the Village implemented the following new standards issued by GASB:

GASB has issued Statement 65, *Items Previously Reported as Assets and Liabilities*, effective for the year ending May 31, 2014.

GASB has issued Statement 66, *GASB Technical Corrections - 2012 - an Amendment of Statements 10 and 62*, effective for the year ending May 31, 2014.

Q. Future Changes in Accounting Standards

GASB has issued Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*, effective for the year ending May 31, 2015.

GASB has issued Statement 69, *Government Combinations and Disposals of Government Operations*, effective for the year ending May 31, 2015.

Village of Cassadaga
Notes to Financial Statements
For the Year Ended May 31, 2014

Note 1 - Summary of Certain Significant Accounting Policies (Continued)

Q. Future Changes in Accounting Standards (Continued)

GASB has issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the year ending May 31, 2015.

GASB has issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*, effective for the year ending May 31, 2015.

The Village will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

Note 2 – Explanation of Certain Differences Between Governmental Fund Statements and Village-Wide Statements

Due to the differences in the measurement focus and basis of accounting used in the funds statements and the Village-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Village-wide statements, compared with the current financial resources focus of the governmental funds.

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities:

Total fund balances of the Village's governmental funds differs from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities:

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories. The amounts shown below represent:

Village of Cassadaga
Notes to Financial Statements
For the Year Ended May 31, 2014

Note 2 – Explanation of Certain Differences Between Governmental Fund Statements and Village-Wide Statements (Continued)

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities (Continued)

1. Long-term revenue differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

2. Capital related differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

3. Long-term debt transaction differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

Note 3 – Stewardship, compliance and accountability:

Budget Policies – The budget policies are as follows:

1. No later than March 20, the Budget Officer submits a tentative budget to the Village Board for the fiscal year commencing the following June 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds of the Village except for the capital projects fund. The entire Village Board with the assistance of the Clerk/Treasurer reviews and appropriates each line item of the budget.

After public hearings are conducted to obtain taxpayer comments, but no later than April 20, the Village adopts the preliminary budget.

<p style="text-align: center;">Village of Cassadaga Notes to Financial Statements For the Year Ended May 31, 2014</p>
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Note 3 – Stewardship, compliance and accountability (Continued)

Budget Policies (Continued)

Budgetary controls are established for the capital projects fund through resolutions authorizing individual projects, which remains in effect for the life of the project.

Budgets are adopted annually on a basis consistent with generally accepted accounting principles.

Note 4 – Cash (and cash equivalents) - Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks

Cash

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

The Village's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

Uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the Village's name	\$ 879,191

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. The Village had \$481,594 in restricted cash at May 31, 2014.

Village of Cassadaga
Notes to Financial Statements
For the Year Ended May 31, 2014

Note 5 – Capital Assets

Capital asset balances and activity for the year ended May 31, 2014 were as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
Construction in progress	-	-	-	-
Total nondepreciable historical cost	\$ 40,000	\$ -	\$ -	\$ 40,000
Capital assets that are depreciated:				
Site improvements	\$ 989,693	\$ -	\$ -	\$ 989,693
Buildings	463,807	835,987	-	1,299,794
Infrastructure	5,580,316	-	(70,000)	5,510,316
Machinery and equipment	1,117,095	-	-	1,117,095
Total depreciable historical cost	8,150,911	835,987	(70,000)	8,916,898
Less accumulated depreciation:				
Site improvements	150,854	31,735	-	182,589
Buildings	263,083	25,865	-	288,948
Infrastructure	2,092,937	104,276	(70,000)	2,127,213
Machinery and equipment	965,273	44,994	-	1,010,267
Total accumulated depreciation	3,472,147	206,870	(70,000)	3,609,017
Net total historical cost	\$ 4,718,764	\$ 629,117	\$ -	\$ 5,347,881

Depreciation expense was charged to governmental functions as follows:

General governmental support	\$ 2,526
Public safety	40,936
Culture and recreation	3,183
Transportation	85,156
Home and community service	75,069
	<u>\$ 206,870</u>

<p style="text-align: center;">Village of Cassadaga Notes to Financial Statements For the Year Ended May 31, 2014</p>
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Note 6 – Short-term Debt

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

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
BAN	8/10/2013	1.375%	\$ 2,870,000	\$ -	\$ 2,870,000	\$ -
BAN	8/10/2013	1.375%	\$ 300,000	\$ -	\$ 300,000	\$ -
BAN	8/8/2014	1.125%	\$ 642,000	\$ -	\$ 642,000	\$ -

Interest on short-term debt for the year was composed of interest paid of \$66,199.

Note 7 – Long-term Debt

Long-term liability balances and activity for the year are summarized below:

	Beginning Balance	Additions	Refunding/ Reductions	Ending Balance	Amounts Due Within One Year
Government activities:					
Bonds and notes payable:					
General obligation debt:					
5/1/2014 Installment bond	\$ -	\$ 3,785,000	\$ -	\$ 3,785,000	\$ 86,000
Total long-term liabilities	\$ -	\$ 3,785,000	\$ -	\$ 3,785,000	\$ 86,000

For its capital project, the Village was granted a \$3,785,000 loan from the United States Department of Agriculture with terms of 2.5% interest per annum maturing August 1, 2048. The loan was scheduled to be granted once the entire capital project was completed. The full amount was received from the loan as of May 31, 2014.

Village of Cassadaga
Notes to Financial Statements
For the Year Ended May 31, 2014

Note 7 – Long-term Debt (Continued)

The following is a summary of maturing debt service requirements:

<u>Fiscal Year Ending May 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 86,000	\$ 70,088	\$ 156,088
2016	87,000	91,388	178,388
2017	88,000	89,200	177,200
2018	93,000	86,938	179,938
2019	94,000	84,600	178,600
2020-2024	474,000	387,625	861,625
2025-2029	512,000	325,950	837,950
2030-2034	543,000	260,063	803,063
2035-2039	570,000	190,625	760,625
2040-2044	603,000	117,188	720,188
2045-2049	635,000	39,688	674,688
Total	<u>\$ 3,785,000</u>	<u>\$ 1,743,353</u>	<u>\$ 5,528,353</u>

Note 8 – Pension Plans

The Village of Cassadaga participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits.

Provisions and Administration:

The New York State Retirement and Social Security Law (NYSRSSL) governs obligations of employers and employees to contribute and pay benefits to employees. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of its funds. The System issues 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, State Office Building, Albany, New York 12244.

Village of Cassadaga
Notes to Financial Statements
For the Year Ended May 31, 2014

Note 8 – Pension Plans (Continued)

Funding Policies:

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, and who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of the 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 Cassadaga is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

YEAR	ERS
2014	\$ 14,346
2013	\$ 15,807
2012	\$ 12,298

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

Note 9 – Contingencies and Commitments

The Village has received grants, which are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior years' experience, the Village's administration believes disallowances, if any, will be immaterial.

Note 10 – Subsequent Events

Events and transactions which have occurred from May 31, 2014 through February 3, 2015, the date of these financial statements, have been evaluated by management for the purpose of determining whether there were any events that might require disclosure in these financial statements.

REQUIRED SUPPLEMENTARY SCHEDULES

Village of Cassadaga
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual - General Fund
For the Year Ended May 31, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance With Budgetary Actual
REVENUES				
Local sources				
Real property taxes	\$ 122,016	\$ 122,017	\$ 122,017	\$ -
Other tax items	1,000	1,000	1,451	451
Non-property tax items	116,000	116,000	119,676	3,676
General government	100	100	875	775
Health	20	50	40	(10)
Culture and recreation	1,000	1,000	629	(371)
Home and community services	-	-	400	400
Intergovernmental	26,200	26,200	26,911	711
Use of money and property	500	500	468	(32)
Licenses and permits	20	20	20	-
Fines and forfeitures	-	-	50	50
Sale of property and compensation for loss	-	-	331	331
Total local sources	266,856	266,887	272,868	5,981
State sources	27,032	35,209	25,827	(9,382)
Total Revenues	293,888	302,096	298,695	(3,401)
OTHER FINANCING SOURCES				
Appropriated reserves	113,338	113,338	-	
Total Revenues and Other Financing Sources	\$ 407,226	\$ 415,434	\$ 298,695	

See paragraph on supplementary schedules in auditor's report.

Village of Cassadaga
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual - General Fund
For the Year Ended May 31, 2014

EXPENDITURES	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance
General government support	\$ 135,199	\$ 135,199	\$ 98,540	\$ 36,659
Public safety	24,000	24,000	22,445	1,555
Health	20	50	30	20
Transportation	104,316	114,993	103,142	11,851
Culture and recreation	58,100	53,600	34,101	19,499
Home and community services	7,725	7,725	2,575	5,150
Employee benefits	27,866	29,867	26,477	3,390
Total Expenditures	357,226	365,434	287,310	78,124
OTHER FINANCING USES				
Transfers to other funds	50,000	50,000	- *	50,000
Total Expenditures & Other Uses	\$ 407,226	\$ 415,434	287,310	\$ 128,124
Net Change in Fund Balance	-	-	11,385	
Fund Balance - Beginning			212,349	
Fund Balance - Ending			\$ 223,734	

* The Village transferred, from the unreserved General Fund, \$20,000 to highway equipment reserve, \$20,000 to fire equipment reserve, and \$10,000 to building renovation/addition reserve during the fiscal year ended May 31, 2014.

Village of Cassadaga
Net Investment in Capital Assets
For the Year Ended May 31, 2014

Capital Assets, net		\$ 5,347,881
Add:		
Reserve for debt service	\$ 392,201	
Deduct:		
Short-term portion of bonds payable	(86,000)	
Long-term portion of bonds payable	(3,699,000)	
		(3,392,799)
Net investment in capital assets		\$ 1,955,082

VILLAGE OF CASSADAGA

FINANCIAL REPORTS
FEDERAL FUNDS

YEAR ENDED MAY 31, 2014

VILLAGE OF CASSADAGA

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Providing the Tools for Financial Success

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Louann Laurito-Bahgat, CPA

**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 Board of Trustees of the
Village of Cassadaga

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Village of Cassadaga as of and for the year ended May 31, 2014, and the related notes to the financial statements, which collectively comprise the Village of Cassadaga's basic financial statements and have issued our report thereon dated February 3, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of Cassadaga's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Cassadaga's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Cassadaga's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-1 to be a material weakness.

Compliance and Other Matters

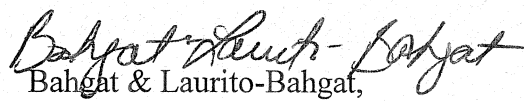
As part of obtaining reasonable assurance about whether the Village of Cassadaga's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

Village of Cassadaga's Response to Findings

The Village of Cassadaga's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Village of Cassadaga's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Bahgat & Laurito-Bahgat,
Certified Public Accountants, P.C.

February 3, 2015

BAHGAT
&
LAURITO-BAHGAT
Certified Public Accountants, P.C.
Providing the Tools for Financial Success

Sham Dean Bahgat, CPA
Louann Laurito-Bahgat, CPA

Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance in Required by OMB Circular A-133

The Board of Trustees of the
Village of Cassadaga

Report on Compliance for Each Major Federal Program

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

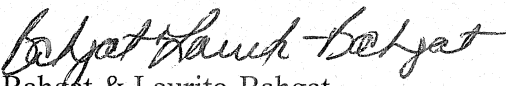
Report on Internal Control over Compliance

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

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

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

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


Bahgat & Laurito-Bahgat,
Certified Public Accountants, P.C.

February 3, 2015

Village of Cassadaga
Schedule of Expenditures of Federal Awards
For the Year Ended May 31, 2014

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Project Number	Federal Expenditures
U.S. Department of Agriculture Water Improvements	10.781	n/a	n/a	\$ 835,987
Total U. S. Department of Agriculture				835,987
Total Federal Awards Expended				\$ 835,987

<p style="text-align: center;">Village of Cassadaga Notes to Schedule of Federal Expenditures Year Ended May 31, 2014</p>
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Note 1 – Summary of Certain Significant Accounting Policies

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the Village, which is described in Note 1 to the Village's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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

Matching costs (the Village's share of certain program costs) are not included in the reported expenditures.

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

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the Village's financial reporting system.

Note 2 – Subrecipients

No amounts were provided to subrecipients.

Note 3 – Other Disclosures

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the Village's casualty insurance policies.

There were no loans or loan guarantees outstanding at year-end.

Village of Cassadaga Schedule of Findings and Questioned Costs Year Ended May 31, 2014

A. Summary of Audit Results

Financial Statements

Type of auditors' opinion(s) issued:

Qualified

Internal control over financial reporting:

Material weakness(es) identified?

☒ yes ☐ no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

☐ yes ☒ no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

☐ yes ☒ none reported

Type of auditor's opinion(s) issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

☐ yes ☒ no

Identification of major programs:

Name of federal program

CFDA Number

Water & Waste Disposal Loans and Grants

10.781

Dollar threshold used to distinguish between Type A and Type B Programs

\$300,000

Auditee qualified as low risk?

☐ yes ☒ no

<p style="text-align: center;">Village of Cassadaga Schedule of Findings and Questioned Costs Year Ended May 31, 2014</p>
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Section II – Financial Statement Findings

Significant Deficiencies considered Material Weaknesses:

2014-1 – Preparation of Village Financial Statements, Note Disclosures and Adjusting Journal Entries

Condition: The external auditors prepared a draft of the financial statements, proposed adjusting journal entries and note disclosures, which were accepted by the Village for the fiscal year ended May 31, 2014. Some of the adjustments and note disclosures are related to converting to the full accrual method of accounting for GASB 34 reporting purposes.

Criteria: The Village should review and accept all proposed adjusting journal entries, note disclosures and draft of the financial statements.

Effect: In May, 2006, the American Institute of Certified Public Accountants issued Statement on Auditing Standards (SAS) No. 112, Communicating Internal Control Related Matters in an Audit. The standard requires the auditor to communicate significant deficiencies and material weaknesses to management and those charged with governance. The standard considers significant adjusting journal entries and assistance in preparing financial statements and related notes to be indicative of a material weakness in the internal control over financial reporting.

Recommendation: We recommend that while the external auditors may continue providing assistance with the preparation of the financial statements, the Village should continue to review and accept all proposed adjusting journal entries, financial statements and note disclosures.

Village Response: The Village will continue to review and accept all proposed adjusting journal entries, note disclosures and draft of the financial statements.

Village of Cassadaga
Schedule of Findings and Questioned Costs
Year Ended May 31, 2014

Section III – Federal Award Findings and Questioned Costs

None

Village of Cassadaga
Summary Schedule of Prior Audit Findings
Year Ended May 31, 2014

Section IV – Summary Schedule of Prior Audit Findings

None