

**VILLAGE OF NEWARK VALLEY**

**Newark Valley, New York**

**FINANCIAL REPORT**

**February 28, 2013**

VILLAGE OF NEWARK VALLEY  
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### INDEPENDENT AUDITOR'S REPORT

Mayor and Village Trustees  
Village of Newark Valley  
Newark Valley, New York

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Newark Valley (the Village), as of and for the year ended February 28, 2013, 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 of 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, each major fund, and the aggregate remaining fund information of the Village of Newark Valley, as of February 28, 2013, 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.

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### ***Emphasis of a Matter***

In 2013, the Village adopted new accounting guidance, GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Positions. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison and funding progress information on pages 3 through 3f and 25 through 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. 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 Town's financial statements as a whole. The Schedule of Expenditures of Federal Awards 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 purposes of 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 basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 August 12, 2013 on our consideration of the Village of Newark Valley's internal control over financial reporting and 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 the 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 Village of Newark Valley's internal control over financial reporting and compliance.

*Cinchi, Dietelmann, Little, Mickelson & Co., LLP*

August 12, 2013  
Ithaca, New York

VILLAGE OF NEWARK VALLEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED FEBRUARY 28, 2013

Our discussion and analysis of the Village of Newark Valley's (the Village) financial performance provides an overview of the Village's financial activities for the fiscal year ended February 28, 2013. Please read it in conjunction with the Village's financial statements, which begin on page 4. Comparative information for all of the government wide information presented in this analysis is not available as financial statements prepared in accordance with generally accepted accounting principles were not required for the year ended February 28, 2012. In future years, when prior year information is available, a comparative analysis of Government-wide data will be presented.

**FINANCIAL HIGHLIGHTS**

- ❖ The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$3,358,469 (net position).
- ❖ Net position increased \$808,638 for the year ending February 28, 2013. This is primarily due to a grant and loan from the United States Department of Agriculture to make improvements to the Village's water system. The Village recognized \$864,422 in grant revenue, whereas the associated expenditures were capitalized as construction in progress.
- ❖ Phase II of the water system improvement project was completed in fiscal year ending 2013. There are no further water system improvement projects planned in the foreseeable future.
- ❖ The Village refinanced a Bond Anticipation Note (BAN) into long-term debt through the USDA Department of Rural Development for \$2,159,000 to finance the water system improvement.
- ❖ The General Fund reported total fund balance of \$606,004 at year end. Of this amount, \$334,840 is restricted for capital improvements, \$1,795 is restricted for unemployment insurance, \$103,984 is assigned for the liability for retiree health insurance, \$109,823 is assigned to balance the 2012 budget, and \$55,562 is unassigned.

**USING THIS ANNUAL REPORT**

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

VILLAGE OF NEWARK VALLEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED FEBRUARY 28, 2013

**Reporting the Village as a Whole**

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

In the Statement of Net Position and the Statement of Activities, all of the Village's activities, which are governmental in nature, are reported in one column, including public safety, transportation, culture and recreation, home and community services, and general administration. Property and sales taxes, user fees, and State and Federal grants finance most of these activities.

**Reporting the Village's Most Significant Funds**

**Governmental Fund Financial Statements**

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

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

**The Village as Trustee:** The Village is the trustee, or fiduciary, for other assets that are held on behalf of others. All of the Village's Fiduciary Activities are reported in a separate Statement of Fiduciary Net Assets on page 10. 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 this fund are used for their intended purposes.

VILLAGE OF NEWARK VALLEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED FEBRUARY 28, 2013

**THE VILLAGE AS A WHOLE**

The Village's *combined* net position for fiscal year ended February 28, 2013 increased from \$2,549,831 to \$3,358,469. A portion of the Village's net position (64.3%) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided by other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Village's net assets (22.1%) represents resources that are subject to external restrictions on how they may be used and are reported as restricted net assets. The remaining category of total net assets is unrestricted net assets, which has a total of \$458,036. The remaining portion of unrestricted net position may be used to meet the government's ongoing obligations and services to creditors and citizens.

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

**Figure 1  
Net Position**

<b>Governmental Activities</b>	<b>2013</b>
<i>Current assets and investments</i>	\$ 1,336,861
<i>Capital assets, net</i>	4,318,017
<b>Total assets</b>	<b>5,654,878</b>
<i>Current liabilities</i>	46,991
<i>Noncurrent liabilities</i>	2,249,418
<b>Total liabilities</b>	<b>2,296,409</b>
<i>Invested in capital assets, net of debt</i>	2,159,017
<i>Restricted</i>	741,416
<i>Unrestricted</i>	458,036
<b>Total net position</b>	<b>\$ 3,358,469</b>

During the year, current assets consisted of \$528,302 in cash and cash equivalents, restricted cash of \$741,416, investments of \$15,345, receivables of \$47,649, and prepaid expenses of \$4,149. Current liabilities consisted of the current portion of bonds payable of \$42,000 and payables of \$4,991. Noncurrent liabilities include the long term portion of bonds payable of \$2,117,000 and the accrual for retiree health insurance of \$132,418. This liability will continue to grow, as there is no legal mechanism in New York State through which to fund the liability. The Village has set aside \$103,904 in recognition of this future liability.

Invested in capital assets, net of related debt is the net amount of capital assets, net less capital related debt, offset by unspent bond proceeds and reflects the growth in capital assets. Restricted net position consists of \$629,698 restricted for capital purposes in capital and repair reserves, \$109,923 reserved for bonded debt, and \$1,795 for unemployment insurance.

VILLAGE OF NEWARK VALLEY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (CONTINUED)  
 FOR THE YEAR ENDED FEBRUARY 28, 2013

Figure 2 demonstrates the operations of the Village's activities.

**Figure 2**  
**Changes in Net Assets**

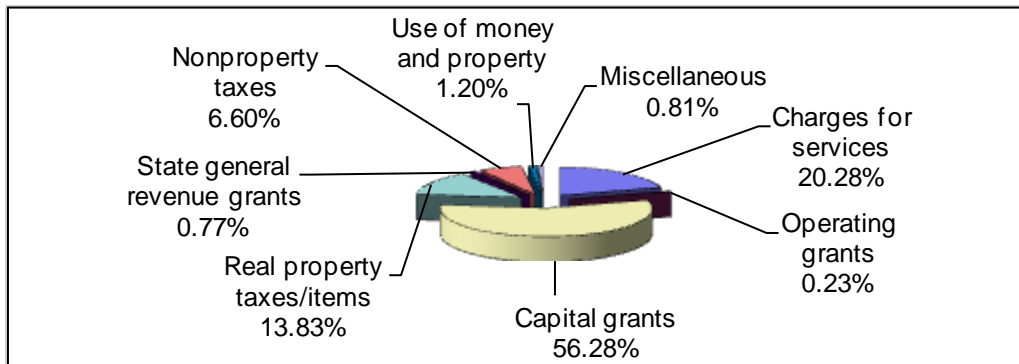
Governmental Activities	2013
<b>REVENUES</b>	
<i>Program revenues:</i>	
Charges for services	\$ 318,433
Operating grants	3,548
Capital grants	883,536
<i>General revenues:</i>	
Property taxes and tax items	217,055
Nonproperty taxes	103,651
Unrestricted grants	12,087
Use of money and property	18,904
Other general revenues	12,758
<b>Total revenues</b>	<b>1,569,972</b>
<b>PROGRAM EXPENSES</b>	
General government	257,607
Public safety	6,589
Transportation	109,523
Culture and recreation	46,776
Home and community services	300,546
Interest on debt	40,293
<b>Total expenses</b>	<b>761,334</b>
<b>INCREASE IN NET ASSETS</b>	<b>\$ 808,638</b>

**Governmental Activities**

Charges for services are comprised of primarily of water rents, \$263,108 and refuse and garbage fees of \$46,037. The Village had capital grant revenue from USDA Rural Development in the amount of \$864,422 for the water system improvement project, as well as \$18,749 from New York State for street improvements.

Figure 3 shows the sources of revenues for 2013.

**Figure 3**  
**Revenue by Source**  
**2013**



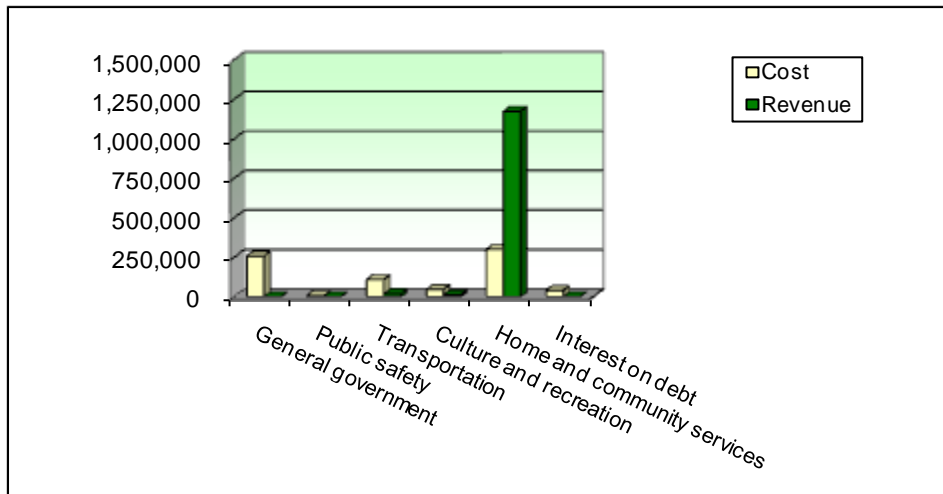


VILLAGE OF NEWARK VALLEY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (CONTINUED)  
 FOR THE YEAR ENDED FEBRUARY 28, 2013

The cost of all Governmental Activities this year was \$761,334. Overall, the Village's governmental program revenues, including fees for services and grants, were \$1,205,517. The Village recognized \$364,455 in taxes and other revenues.

The total cost and revenue comparison of the Governmental Activities for each of the Village's largest programs follows. The difference between the cost and revenue shows the financial burden placed on the Village's taxpayers by each of these functions. The excess revenues in the Village's home and community services activities were primarily due to the water system improvement grant, whose expenditures were capitalized in the Statement of Net Position.

**Figure 4**  
**Program Cost and Revenue Comparison**  
**Governmental Activities**  
**2013**



**THE VILLAGE'S FUNDS**

As the Village completed the year, its Governmental Funds, as presented in the balance sheets on pages 6-6a, reported a combined fund balance of \$1,336,861, an increase from last year's total of \$(1,043,810). The Capital Projects Fund's increase in fund balance is due to conversion of short term debt into long term debt. The increase in the Water Fund was due to the implementation of debt service charges, offset by increases in debt service, bad debt expense, and contractual expenditures. Figure 5 shows the changes in fund balances during the year for the Village's funds.

VILLAGE OF NEWARK VALLEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED FEBRUARY 28, 2013

**Figure 5**  
**Governmental Funds**  
**Fund Balances at Year Ending**

	2012	2013	Dollar Change 2012 - 2013
<i>Major Funds:</i>			
<i>General Fund</i>	\$ 610,017	\$ 606,004	\$ (4,013)
<i>Capital Projects Fund</i>	(2,167,545)	153,695	2,321,240
<i>Special Revenue Funds:</i>			
<i>Refuse and Garbage</i>	40,461	46,354	5,893
<i>Water Fund</i>	457,389	510,433	53,044
<i>Miscellaneous Special Revenue Fund</i>	15,868	20,375	4,507
<b>Totals</b>	<b>\$ (1,043,810)</b>	<b>\$ 1,336,861</b>	<b>\$ 2,380,671</b>

**General Fund Budgetary Highlights**

Over the course of the year, the Village Trustees and management of the Village revised the Village budget several times. These budget amendments consisted of transfers between functions and acceptance of grant awards.

Resources available for appropriation were \$47,926 above the final budgeted amount. The most significant positive variance was the result of sales tax revenue over budget by \$29,651, while there was only one negative variance of \$(769), which was due to lower interest rates.

The actual charges to appropriations (expenditures) and transfers out were below final budget amounts by \$62,645.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At February 28, 2013 the Village had \$4,318,017 invested in a broad range of capital assets, including buildings, machinery and equipment, roads and water infrastructure, net of accumulated depreciation of \$647,131. The net amount represents a net increase (including additions of \$726,352, and depreciation expense of \$118,693) of \$607,659 over last year. The increase is almost entirely water system improvements.

**Figure 6**  
**Capital Assets at Historical Cost**

Historical Cost	Governmental Activities and Total Government		Dollar Change	Percent Change
	2012	2013	2012 - 2013	2012 - 2013
<i>Land</i>	\$ 62,333	\$ 62,333	\$ -0-	0%
<i>Buildings</i>	226,932	226,932	-0-	0%
<i>Equipment</i>	385,392	374,866	(10,526)	-2.73%
<i>Infrastructure</i>	3,574,665	4,301,017	726,352	20.32%
<b>Totals</b>	<b>\$ 4,249,322</b>	<b>\$ 4,965,148</b>	<b>\$ 715,826</b>	<b>16.85%</b>

VILLAGE OF NEWARK VALLEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED FEBRUARY 28, 2013

**Debt Administration**

Debt (bonds and BANs), considered a liability of Governmental Activities, was \$2,159,000 as of February 28, 2013, and \$2,195,000 as of February 28, 2012. During the year, the Village retired \$36,000 of its outstanding BAN and converted the remainder into long-term debt.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The following is a summary of currently known facts, decisions, or conditions expected to have a significant effect on the Government's financial position.

- ❖ Pension, Worker's Compensation, Health Care and Fuel Costs: The increased contribution to the New York State Pension System, along with ever increasing worker's compensation costs and much greater than inflation increases in health care costs for our employees and retirees will continue to put a strain on the Village's budget for the foreseeable future. The volatility of the cost of fuel, blacktop and other petroleum products and the increased costs of all construction materials and equipment have also added to the strain on the Village's budget.
- ❖ These increased costs are made worse by current economic factors such as reduced sales tax revenue and the ever present possibilities of reductions to aid, including CHIPS and State Aid. We need to understand that we cannot and should not overburden our residents with tax increases. This is made worse by the New York State 2% tax cap legislation, which is mandated to be 2% or the current rate of inflation, whichever is less. This places additional burden on those mandated costs presented above.

**CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about the report or need any additional financial information, contact Mertie Pozzi, Village of Newark Valley Clerk/Treasurer, PO Box 398, Newark Valley, New York 13811.

VILLAGE OF NEWARK VALLEY  
STATEMENT OF NET POSITION  
FEBRUARY 28, 2013

	Primary Government Governmental Activities	Component Unit Tappan-Spaulding Memorial Library
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and cash equivalents - Unrestricted	\$ 528,302	\$ 147
- Restricted	741,416	
Due from other governments	7,861	
Other receivables, net	39,788	
Prepaid expenses	4,149	
Total Current Assets	1,321,516	147
Noncurrent Assets:		
Investments	15,345	207,529
Capital assets, nondepreciable	62,333	
Capital assets, depreciable, net of accumulated depreciation	4,255,684	
Total Noncurrent Assets	4,333,362	
Total Assets	5,654,878	147
<b><u>LIABILITIES</u></b>		
Current Liabilities:		
Interest payable	4,991	
Current portion of long-term obligations:		
Bonds payable	42,000	42,000
Total Current liabilities	46,991	42,000
Noncurrent Liabilities:		
Bonds payable	2,117,000	
Liability for other postemployment benefits	132,418	
Total Noncurrent Liabilities	2,249,418	
Total Liabilities	2,296,409	42,000
<b><u>NET ASSETS</u></b>		
Invested in capital assets, net of related debt	2,159,017	
Restricted for debt service	741,416	
Unrestricted	458,036	207,676
Total Net Position	\$ 3,358,469	\$ 207,676

See Independent Auditor's Report and Notes to Financial Statements

VILLAGE OF NEWARK VALLEY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED FEBRUARY 28, 2013

	Program Revenues				Primary Government	Component Unit
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Government	Tappan- Spaulding Memorial Library	
<b><u>FUNCTIONS/PROGRAMS</u></b>						
Governmental Activities:						
General governmental support	\$ (257,607)	\$ 602	\$ _____	\$ _____	\$ (257,005)	\$ _____
Public safety	(6,589)	733	_____	_____	(5,856)	_____
Transportation	(109,523)	_____	_____	18,749	(90,774)	_____
Culture and recreation	(46,776)	7,953	3,548	365	(34,910)	_____
Home and community services	(300,546)	309,145	_____	864,422	873,021	_____
Interest on debt	(40,293)	_____	_____	_____	(40,293)	(40,293)
Total Functions and Programs	<u>\$ (761,334)</u>	<u>\$ 318,433</u>	<u>\$ 3,548</u>	<u>\$ 883,536</u>	444,183	(40,293)
Component Unit:						
Tappan-Spaulding Memorial Library	<u>\$ (49,633)</u>	<u>\$ 29,338</u>	<u>\$ 4,435</u>	<u>\$ -0-</u>	_____	(15,860)

**GENERAL REVENUES**

Real property taxes	212,499	_____
Real property tax items	4,556	_____
Nonproperty tax items	103,651	_____
Grants - Unrestricted	12,087	_____
Use of money and property	18,904	(8,192)
Miscellaneous local sources	11,623	1,583
Sale of property and compensation for loss	1,135	_____
Total General Revenues	<u>364,455</u>	<u>(6,609)</u>
Change in Net Assets	808,638	(22,469)
Net Assets - Beginning, as restated	<u>2,549,831</u>	<u>230,145</u>
Net Assets - Ending	<u>\$ 3,358,469</u>	<u>\$ 207,676</u>

See Independent Auditor's Report and Notes to Financial Statements

VILLAGE OF NEWARK VALLEY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
FEBRUARY 28, 2013

	Major Funds	
	General Fund	Capital Projects Fund
<b><u>ASSETS</u></b>		
Assets:		
Cash and cash equivalents - Unrestricted	\$ 252,422	\$ 167,295
Cash and cash equivalents - Restricted	336,635	
Temporary investments		
Due from other funds		
Due from other governments	7,861	
Other receivables, net	4,937	
Prepaid expenses	4,149	
Total Assets	\$ 606,004	\$ 167,295
<b><u>LIABILITIES AND FUND BALANCES</u></b>		
Liabilities:		
Due to other funds		13,600
Total Liabilities	-0-	13,600
Fund Balances:		
Restricted for:		
Capital	334,840	
Debt		
Unemployment insurance	1,795	
Total Restricted	336,635	-0-
Assigned for:		
Other postemployment benefits	103,984	
Next year's budget	109,823	
Remaining fund balance		153,695
Total Assigned	213,807	153,695
Unassigned	55,562	
Total Fund Balances	606,004	153,695
Total Liabilities and Fund Balances	\$ 606,004	\$ 167,295

See Independent Auditor's Report and Notes to Financial Statements

Major Funds			
Special Revenue Funds			Total Governmental Funds
Refuse & Garbage Fund	Water Fund	Miscellaneous Special Revenue Fund	
\$ 12,015	\$ 91,540	\$ 5,030	\$ 528,302
34,021	370,760		741,416
		15,345	15,345
	13,600		13,600
			7,861
318	34,533		39,788
			4,149
<u>\$ 46,354</u>	<u>\$ 510,433</u>	<u>\$ 20,375</u>	<u>\$ 1,350,461</u>
			13,600
-0-	-0-	-0-	13,600
34,021	260,837		629,698
	109,923		109,923
			1,795
34,021	370,760	-0-	741,416
			103,984
6,494			116,317
5,839	139,673	20,375	319,582
12,333	139,673	20,375	539,883
			55,562
46,354	510,433	20,375	1,336,861
<u>\$ 46,354</u>	<u>\$ 510,433</u>	<u>\$ 20,375</u>	<u>\$ 1,350,461</u>

VILLAGE OF NEWARK VALLEY  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
FEBRUARY 28, 2013

Total Governmental Fund Balances		\$ 1,336,861
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Amounts reported for Governmental Activities in the Statement of Net Position are different because:

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

Capital assets at historical cost	\$ 4,965,148		
Less accumulated depreciation	<u>(647,131)</u>		4,318,017

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,159,000)
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Certain accrued expenses reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in Governmental Funds.

Accrued interest payable	\$ (4,991)		
Liability for other postemployment benefits	<u>(132,418)</u>		<u>(137,409)</u>

Net Assets of Governmental Activities	\$ <u><u>3,358,469</u></u>
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See Independent Auditor's Report and Notes to Financial Statements



VILLAGE OF NEWARK VALLEY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED FEBRUARY 28, 2013

	Major Funds	
	General Fund	Capital Projects Fund
<b><u>REVENUES</u></b>		
Real property taxes	\$ 212,499	\$
Real property tax items	4,556	
Nonproperty tax items	103,651	
Departmental income	9,288	
Use of money and property	13,946	52
Sale of property and compensation for loss	1,135	
Miscellaneous local sources	14,575	365
State sources	30,836	
Federal sources		864,422
Total Revenues	390,486	864,839
<b><u>EXPENDITURES</u></b>		
Current:		
General governmental support	179,613	
Public safety	6,589	
Transportation	103,350	
Culture and recreation	39,925	
Home and community services	7,823	
Employee benefits	57,199	
Debt service:		
Principal		
Interest		
Capital outlay		738,599
Total Expenditures	394,499	738,599
Excess of (Expenditures) Revenues	(4,013)	126,240
<b><u>OTHER FINANCING SOURCES (USES)</u></b>		
BANS redeemed from appropriations		36,000
Proceeds of obligations		2,159,000
Premium and accrued interest on obligations		
Total Other Financing Sources (Uses)	-0-	2,195,000
Excess of (Expenditures) and Other (Uses) over Revenues and Other Financing Sources	(4,013)	2,321,240
Fund Balances (Deficit), Beginning of Year	610,017	(2,167,545)
Fund Balances, End of Year	\$ 606,004	\$ 153,695

See Independent Auditor's Report and Notes to Financial Statements

Major Funds

Special Revenue Funds			
Refuse & Garbage Fund	Water Fund	Miscellaneous Special Revenue Fund	Total Governmental Funds
\$	\$	\$	\$ 212,499
			4,556
			103,651
44,770	263,008		317,066
32	367	4,507	18,904
1,267			2,402
449	147		15,536
			30,836
			864,422
46,518	263,522	4,507	1,569,872
	1,824		181,437
			6,589
			103,350
			39,925
34,905	94,633		137,361
5,720	30,086		93,005
	36,000		36,000
	48,035		48,035
			738,599
40,625	210,578	-0-	1,384,301
5,893	52,944	4,507	185,571
			36,000
			2,159,000
	100		100
-0-	100	-0-	2,195,100
5,893	53,044	4,507	2,380,671
40,461	457,389	15,868	(1,043,810)
\$ 46,354	\$ 510,433	\$ 20,375	\$ 1,336,861

VILLAGE OF NEWARK VALLEY  
 RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT  
 OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED FEBRUARY, 2013

Net Change in Fund Balances - Total Governmental Funds \$ 2,380,671

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

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

Capital outlay, net	\$ 726,352	
Depreciation expense, net	<u>(118,693)</u>	607,659

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

Proceeds of obligations	<u>(2,159,000)</u>
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds. This is the change in the following:

Accrued interest payable	\$ 7,742	
Liability for other postemployment benefits	<u>(28,434)</u>	<u>(20,692)</u>

Change in Net Assets of Governmental Activities	<u><u>\$ 808,638</u></u>
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See Independent Auditor's Report and Notes to Financial Statements

VILLAGE OF NEWARK VALLEY  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FEBRUARY 28, 2013

		<u>Agency Funds</u>
	<b><u>ASSETS</u></b>	
Other receivables		\$ <u>1,930</u>
Total Assets		\$ <u><u>1,930</u></u>
	<b><u>LIABILITIES</u></b>	
Agency liabilities		\$ <u>1,930</u>
Total Liabilities		\$ <u><u>1,930</u></u>

See Independent Auditor's Report and Notes to Financial Statements

VILLAGE OF NEWARK VALLEY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 2013

Note 1 - Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

The Village, which was incorporated in 1894, is governed by Village Law, other general municipal laws of the State of New York, and various local laws. The Village Board is the legislative body responsible for overall operations; the Village Mayor serves as chief executive officer and the Clerk/Treasurer serves as chief fiscal officer.

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

All governmental activities and functions performed for the Village are its direct responsibility. The basic financial statements include all funds of the primary government, which is the Village, organizations for which the primary government is financially accountable, and other organizational entities determined to be included in the Village's reporting entity in accordance with GASB Statement Number 14, "The Financial Reporting Entity," as amended by GASB Statement Number 39, "Determining Whether Certain Organizations are Component Units."

The financial reporting entity consists of the following, as defined by GASB Statement No. 14, as amended by GASB Statement Number 39:

1. The primary government, which is the Village.
2. Organizations for which the primary government is financially accountable, and;
3. Other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

Based on the application of these criteria, the following is included as a discretely presented component unit:

Tappan Spaulding Memorial Library

The Tappan Spaulding Memorial Library was established in 1908. The Library is administered by a Board of Trustees consisting of five members, three of which must be residents of the Village and are appointed by the Village's Board. The remaining two members shall be residents of Tioga County outside the Village, one of which must be a resident of the Town of Newark Valley, and appointed by the Town of Newark Valley's Board. Real property of the Library is owned by the Village and provided at no cost to the Library. The Village also provides accounting services and routine maintenance of the real property at no cost to the Library.

B. Basic Financial Statements

The Village's basic financial statements include both Government-wide (reporting the Village as a whole) and Governmental Fund financial statements (reporting the Village's Major Funds). The Government-wide and Governmental Fund financial statements categorize primary activities as governmental. The Village's general governmental support, transportation, culture and recreation, and home and community services are classified as Governmental Activities.

VILLAGE OF NEWARK VALLEY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED FEBRUARY 28, 2013

1. Government-wide Statements

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

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

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

The Village does not allocate indirect costs. Indirect costs are reported in the function entitled "general government."

2. Governmental Fund Financial Statements

The financial transactions of the Village are reported in individual funds in the Governmental Fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures or expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The Village records its transactions in the funds described below:

a. Governmental Funds

Governmental Funds are those through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources, and the related liabilities are accounted for through Governmental Funds. The measurement focus of the Governmental Funds is based upon determination of financial position and changes in financial position under the modified accrual basis of accounting. The following are the Village's Governmental Funds:

Major Funds:

General Fund - Principal operating fund which includes all operations not required to be recorded in other funds.

VILLAGE OF NEWARK VALLEY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED FEBRUARY 28, 2013

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

Special Revenue Funds:

Water Fund - Accounts for revenues derived from charges for water consumption and the application of such revenues toward related operating expenses and debt retirement.

Refuse and Garbage Fund - Accounts for revenues derived from charges for the pickup and disposal of solid waste.

Miscellaneous Special Revenue Fund - Used to record the revenues and expenditures relating to beautification projects in the Village.

b. Fiduciary Fund Types

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

Agency Fund - Accounts for money and/or property received and held in the capacity of trustee, custodian or agent.

C. Basis of Accounting/Measurement Focus

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

1. Accrual Basis

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

2. Modified Accrual Basis

The Governmental Fund financial statements are prepared using the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues that are accrued include real property taxes, state and federal aid, sales tax, and certain user charges. The Village considers property tax receivables collected within 60 days after year-end to be available and recognizes them as revenues of the current year. All other revenues that are deemed collectible within one year after year end are recognized as revenues in the current year, while revenues deemed collectible in more than one year after year end are deferred. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made.

VILLAGE OF NEWARK VALLEY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED FEBRUARY 28, 2013

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

D. Property Taxes

Village real property taxes are levied annually on February 20, and become a lien on that date. Taxes are collected during the period March 1, to April 1, at face value and from April 2, to October 31, with interest added. The Village Receiver of Taxes collects all real estate taxes for Village purposes.

Uncollected real property taxes are returned to the County of Tioga, in which the Village is located and subsequently enforced. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the Village no later than the forthcoming February 28. Responsibility for the collection of unpaid taxes rests with the County. Uncollected tax liens are sold annually by the County.

Property tax revenues are recognized as revenues in the year they are levied.

E. Cash and Cash Equivalents

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

F. Investments

Investments consist of certificates of deposit with original maturities of greater than three months, and are stated at cost, which approximates fair value. Investments consist of donated NBT stock.

G. Receivables

Amounts due from other governments represent amounts owed to the Village from the County of Tioga for sales tax collections. Other receivables represent amounts owed to the Village, which include solid waste charges, water rents, and franchise fees. Outstanding water rents and solid waste charges are levied to taxes. No provision has been made for uncollectible accounts for amounts due from other governments, as it is believed that such amounts would be immaterial. A provision of \$-0- has been made for other receivables.

H. Capital Assets

All capital assets are valued at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets, assuming a zero salvage value. Governmental capital assets purchased or acquired with an original cost of at least \$5,000 and having a useful life of greater than two years are capitalized. The estimated useful lives for governmental capital assets are as follows:



VILLAGE OF NEWARK VALLEY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED FEBRUARY 28, 2013

	Life	Threshold
Buildings	30-40 years	\$ 10,000
Infrastructure	10-50 years	10,000
Machinery and equipment	8-15 years	5,000
Land and land improvements		All

I. Insurance and Risk Management

The Village maintains insurance coverage for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. No settlements exceeded insurance coverage in any of the past three years.

J. Vacation, Sick Leave, and Compensatory Absences

The Village's policy is not to allow employees to carryover vacation benefits or sick leave. Therefore no accrual has been recorded at year end.

K. Other Postemployment 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 may become eligible for these benefits if they have worked for the Village for a minimum of ten years at the time of retirement. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Village pays a portion of the cost of benefits and recognizes the cost by recording the insurance premiums as expenditures in the year paid. Currently there are no retirees receiving health care benefits.

L. Equity Classifications

1. Government-wide Statements

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

Invested in Capital Assets, Net of Related Debt - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - Consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

2. Governmental Fund Financial Statements

In the year ending May 31, 2012, the Village implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." Statement No. 54 changes the terminology and classification of fund balance to reflect spending constraints on resources, rather than availability for appropriation. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

VILLAGE OF NEWARK VALLEY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED FEBRUARY 28, 2013

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- **Nonspendable**  
Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.
- **Restricted**  
Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the Village's legally adopted reserves are reported here.
- **Committed**  
Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority, the Board of Trustees, prior to the end of the fiscal year, which requires the same level of formal action to remove said constraint.
- **Assigned**  
Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.
- **Unassigned**  
Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

The Village has not adopted any resolutions to commit fund balance. Currently, fund balance is assigned by the Village Mayor for encumbrances and designations. By resolution, the Village Board approves fund balance appropriations for next year's budget. The Village has not formally adopted a policy defining the order in which to apply expenditures against fund balances. However, the Village applied expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

**M. Interfund Activity**

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. All Interfund Activities between Governmental Activities are eliminated on the Statement of Net Position and the Statement of Activities.

VILLAGE OF NEWARK VALLEY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED FEBRUARY 28, 2013

N. Revenues

Substantially all Governmental Fund revenues are accrued. In applying GASB Statement Number 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

O. Restricted Resources

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

Note 2 - Detail Notes

A. Assets

1. Cash and Investments

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

Collateral is required for demand and time deposits and certificates of deposit at 102% of all deposits not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the Federal government. Underlying securities must have a market value of at least 102% of the cost of the repurchase agreement.

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. GASB Statement Number 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village's aggregate bank balances of \$1,295,521 are either insured or collateralized with securities held by the pledging financial institution in the Village's name. This includes the Library's bank balances of \$186 at year end.

Pooled Cash - During 2013, the Village pooled cash from all funds; except for cash required by law to be segregated, into a concentration account for investment purposes. Village officials decided to apply all interest earned on these investments to the various funds, as well as reserve funds and bonded indebtedness.

VILLAGE OF NEWARK VALLEY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED FEBRUARY 28, 2013

The Village does not typically purchase investments; is not exposed to material interest rate risk and does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk. The Village and its component unit were recipients of donated NBT Bank stock. At year end the number of shares owned was 750 and 10,143, respectively.

	Market Value
Village - Miscellaneous Special Revenue Fund	\$ 15,345
Tappan Spaulding Memorial Library	\$ 207,529

2. Restricted Cash

Total restricted cash of \$741,416 is composed of \$109,923 restricted for debt, \$368,861 restricted for future capital projects, \$260,837 for repairs, and \$1,795 for unemployment insurance.

3. Other Receivables

	Description		Amount
General Fund	Franchise fees	\$	4,937
Water Fund	Rents and judgments		34,533
Refuse and Garbage	Fees		318
Total Governmental Activities		\$	39,788

4. Capital Assets

A summary of changes in capital assets at February 28, 2013 follows.

	Balance at 2/29/12	Additions	Deletions/ Reclassifi- cations	Balance at 2/28/13
<u>Governmental Activities:</u>				
Non-depreciable Capital Assets:				
Land	\$ 62,333	\$	\$	\$ 62,333
Construction in Progress	-0-			-0-
Total Non-depreciable Capital Assets	62,333	-0-		62,333
Depreciable Capital Assets:				
Buildings	226,932			226,932
Machinery and equipment	385,392		(10,526)	374,866
Infrastructure	3,574,665	726,352		4,301,017
Total Depreciable Capital Assets	4,186,989	726,352	(10,526)	4,902,815
Total Historical Cost	4,249,322	726,352	(10,526)	4,965,148
Less Accumulated Depreciation:				
Buildings	(102,221)	(13,875)		(116,096)
Machinery and equipment	(242,657)	(23,153)	10,526	(255,284)
Infrastructure	(194,086)	(81,665)		(275,751)
Total Accumulated Depreciation	(538,964)	(118,693)	10,526	(647,131)
Governmental Activities Capital Assets, Net	\$ 3,710,358	\$ 607,659	\$ -0-	\$ 4,318,017

VILLAGE OF NEWARK VALLEY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED FEBRUARY 28, 2013

Depreciation expense was charged to functions as follows:

<u>Governmental Activities:</u>	
General governmental support	\$ 18,259
Transportation	14,759
Culture and recreation	1,945
Home and community services	<u>83,730</u>
Total Governmental Activities Depreciation Expense	<u>\$ 118,693</u>

B. Liabilities

1. Pension Plans

a. Plan Description

The Village participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer defined benefit retirement system. ERS provides retirement benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems.

The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. ERS 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, 110 State Street, Albany, NY 12244.

b. 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. Employees in the System more than ten years are no longer required to contribute. 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 is required to contribute at an actuarially determined rate. The Village's contributions made to the System were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

Year	ERS
2013	\$ 30,464
2012	36,090
2011	23,780

VILLAGE OF NEWARK VALLEY  
 NOTES TO FINANCIAL STATEMENTS  
 (CONTINUED)  
FOR THE YEAR ENDED FEBRUARY 28, 2013

2. Short-term Debt

a. Bond Anticipation Notes (BANs)

Notes issued in anticipation of proceeds from the subsequent sale of bonds are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of the bonds. Such notes may be classified as long-term debt when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance sheet issuance of long-term debt or by an acceptable financing agreement. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. The Village issues BANs to finance capital improvements.

At February 28, 2013, the total outstanding indebtedness (bonds and BANs) of the Village aggregated \$2,159,000. This amount is not subject to the constitutional debt limit of \$2,046,519.

A summary of changes in short-term debt is as follows:

	Balance			Balance
	<u>Mar. 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Feb. 28, 2013</u>
BANs	\$ 2,195,000	\$ 2,159,000	\$ (4,354,000)	\$ -0-
Total	<u>\$ 2,195,000</u>	<u>\$ 2,159,000</u>	<u>\$ (4,354,000)</u>	<u>\$ -0-</u>

Interest paid on short-term debt during the year was:

Interest paid	\$	48,035
Less interest accrued in the prior year		(12,733)
Plus interest accrued in the current year		<u>-0-</u>
Total Expense	\$	<u>35,302</u>

b. Serial Bonds

The Village borrowed funds from USDA Rural Development as part of the financing of its Water System Improvement Project. This long-term liability, which is full faith and credit debt of the local government, is recorded in the Government-wide financial statements. The provision to be made in future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liability.

c. Debt Maturity Schedule

The following is a summary of bonds outstanding at February 28, 2013 with corresponding maturity schedules:

<u>Description of Issue</u>	<u>Original Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Date Final Maturity</u>	<u>Outstanding Balance</u>
Serial Bond	1/10/2013	\$ 2,159,000	1.875%	10/10/2050	\$ 2,159,000
Total Bonds					<u>\$ 2,159,000</u>

VILLAGE OF NEWARK VALLEY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED FEBRUARY 28, 2013

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 42,000	\$ 30,222	\$ 72,222
2015	42,000	39,693	81,693
2016	43,000	38,906	81,906
2017	43,000	38,100	81,100
2018	44,000	37,293	81,293
2019-2023	234,000	173,717	407,717
2024-2028	255,000	151,032	406,032
2029-2033	280,000	126,187	406,187
2034-2038	309,000	98,888	407,888
2039-2043	338,000	68,850	406,850
2044-2048	<u>371,000</u>	<u>35,963</u>	<u>406,963</u>
2049-2050	<u>158,000</u>	<u>4,464</u>	<u>162,464</u>
Total	<u>\$ 2,159,000</u>	<u>\$ 843,315</u>	<u>\$ 3,002,315</u>

Interest paid on long-term debt during the year was:

Interest paid	\$ -0-
Less interest accrued in the prior year	-0-
Plus interest accrued in the current year	<u>4,991</u>
Total Expense	<u>\$ 4,991</u>

d. Changes in Indebtedness

The following is a summary of changes in the Village's indebtedness for the year ended December 31, 2013.

<u>Description</u>	<u>Balance 02/29/12</u>	<u>New Issues/ Additions</u>	<u>Maturities/ Payments</u>	<u>Balance 02/28/13</u>	<u>Amount Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ -0-	<u>\$ 2,159,000</u>	<u>\$ -0-</u>	<u>\$ 2,159,000</u>	<u>\$ 42,000</u>

3. Postemployment Benefits Other than Pensions

In 2010, the Village adopted GASB Statement Number 45, "Funding and Accounting for Other Postemployment Benefits (OPEB) for Current and Retired Employees." In the past, the Village reported the cost of retiree health care on a "pay-as-you-go" basis.

VILLAGE OF NEWARK VALLEY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED FEBRUARY 28, 2013

The Village administers a single-employer defined benefit healthcare plan (Plan). The Plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Village's group health insurance plan, which covers both active and retired members. Benefit provisions are established through Board action. The Retiree Health Plan does not issue a publicly available financial report.

Contribution requirements also are established through Board action. Currently there are no retirees receiving health care benefits. For future retirees, the Village will contribute 100% of the cost of current year premiums for eligible retired plan members and 85% for their spouses. For fiscal year 2013, the Village contributed an actuarially determined amount of \$284 to the Plan.

The Village's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Village has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement Number 45 for employers with plans covering fewer than one hundred total plan members. The ARC represents a level of funding that is paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Village's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Village's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 30,341
Interest on net OPEB obligation	4,159
Adjustment to annual required contribution	<u>(5,782)</u>
Annual OPEB cost	28,718
Contributions made	<u>(284)</u>
Increase in net OPEB obligation	<u>28,434</u>
 Net OPEB Obligation-Beginning of Year	 <u>103,984</u>
 Net OPEB Obligation-End of Year	 <u>\$ 132,418</u>

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2013 was as follows:

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ <u>28,434</u>	0%	\$ <u>132,418</u>
2012	\$ <u>35,422</u>	0%	\$ <u>103,984</u>
2011	\$ <u>35,422</u>	0%	\$ <u>68,562</u>

As of February 28, 2013, the actuarial accrued liability for benefits was \$207,938, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$211,368, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 98.4%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.



VILLAGE OF NEWARK VALLEY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED FEBRUARY 28, 2013

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

Amounts determined regarding funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the February 28, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 8.10% initially, reduced by decrements to an ultimate rate of 4.3% at 2085. Both rates included a 2.9% inflation assumption.

Based on the historical and expected returns of the Village's short-term investment portfolio, a discount rate of 4.0% was used. In addition, a simplified version of the unit credit cost method was used with the Unfunded Actuarial Accrued Liability (UAAL) amortized as a level dollar amount. The amortization period was 30 years.

C. Interfund Receivables and Payables

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

The Village also loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

VILLAGE OF NEWARK VALLEY  
 NOTES TO FINANCIAL STATEMENTS  
 (CONTINUED)  
FOR THE YEAR ENDED FEBRUARY 28, 2013

Interfund receivable and payable balances at February 28, 2013 are as follows:

	Interfund Receivables	Interfund Payables	Interfund Transfer Revenue	Interfund Transfer Expense
General Fund	\$	\$	\$	\$
Refuse and Garbage Fund				
Capital Projects Fund		13,600		
Water Fund	13,600			
Total	\$ 13,600	\$ 13,600	\$ -0-	\$ -0-

Note 3 - Contingencies

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

Note 4 - Federal and State Funded Programs

The Village participates in a number of Federal and State grant and assistance programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Board expects the amounts, if any, would be immaterial. No financial or compliance audits occurred during the year ended February 28, 2013.

Note 5 - Impact of Future Standards of the Governmental Accounting Standards Board (GASB)

The Village of Newark Valley is in the process of assessing the future effects of the following GASB Statement: GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

VILLAGE OF NEWARK VALLEY  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE YEAR ENDED FEBRUARY 28, 2013

	Original Budget	Final Budget	Actual	Encumbrances	Variance
<b><u>REVENUES</u></b>					
Real property taxes	\$ 212,499	\$ 212,499	\$ 212,499	\$ -	\$ -0-
Real property tax items	2,000	2,000	4,556		2,556
Nonproperty tax items	74,000	74,000	103,651		29,651
Departmental income	5,800	5,800	9,288		3,488
Use of money and property	14,715	14,715	13,946		(769)
Sale of property and compensation for loss			1,135		1,135
Miscellaneous local sources	2,500	6,046	14,575		8,529
State sources	27,500	27,500	30,836		3,336
Total Revenues	339,014	342,560	390,486	-0-	47,926
<b><u>EXPENDITURES</u></b>					
Current:					
General governmental support	206,287	200,208	179,613		20,595
Public safety	22,500	20,896	6,589		14,307
Transportation	113,078	113,515	103,350		10,165
Culture and recreation	32,588	45,129	39,925		5,204
Home and community services	14,882	11,910	7,823		4,087
Employee benefits	64,261	65,486	57,199		8,287
Total Expenditures	453,596	457,144	394,499		62,645
Excess of (Expenditures)	(114,582)	(114,584)	(4,013)	-0-	110,571
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Interfund transfers (out)					
Total Other Financing Sources (Uses)					
Excess of (Expenditures) and Other (Uses) over Revenues and Other Financing Sources	(114,582)	(114,584)	(4,013)	\$ -0-	\$ 110,571
Appropriated Fund Balance	114,582	114,584			
Net Increase	\$ -0-	\$ -0-	(4,013)		
Fund Balance, Beginning of Year			610,017		
Fund Balance, End of Year			\$ 606,004		

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

VILLAGE OF NEWARK VALLEY  
 BUDGETARY COMPARISON SCHEDULE  
 REFUSE AND GARBAGE FUND  
 FOR THE YEAR ENDED FEBRUARY 28, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
<b><u>REVENUES</u></b>					
Departmental income	\$ 43,276	\$ 43,276	\$ 44,770	\$	\$ 1,494
Use of money and property	25	25	32		7
Sale of property and compensation for loss	200	200	1,267		1,067
Miscellaneous local sources	100	100	449		349
Total Revenues	<u>43,601</u>	<u>43,601</u>	<u>46,518</u>	<u>-0-</u>	<u>2,917</u>
<b><u>EXPENDITURES</u></b>					
Current:					
Home and community services	37,134	37,014	34,905		2,109
Employee benefits	6,467	6,587	5,720		867
Total Expenditures	<u>43,601</u>	<u>43,601</u>	<u>40,625</u>		<u>2,976</u>
Excess of Revenues	<u>-0-</u>	<u>-0-</u>	<u>5,893</u>	<u>-0-</u>	<u>5,893</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Interfund transfers in					
Total Other Financing Sources (Uses)					
Excess of (Expenditures) and Other (Uses) over Revenues and Other Financing Sources	<u>-0-</u>	<u>-0-</u>	<u>5,893</u>	<u>\$ -0-</u>	<u>\$ 5,893</u>
Appropriated Fund Balance	<u>-0-</u>	<u>-0-</u>			
Net Increase	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>5,893</u>		
Fund Balance, Beginning of Year			<u>40,461</u>		
Fund Balance, End of Year			<u>\$ 46,354</u>		

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

VILLAGE OF NEWARK VALLEY  
SPECIAL REVENUE FUND  
WATER FUND  
FOR THE YEAR ENDED FEBRUARY 28, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
<b><u>REVENUES</u></b>					
Departmental income	\$ 272,020	\$ 272,020	\$ 263,008	\$	\$ (9,012)
Use of money and property	100	100	367		267
Miscellaneous local sources			147		147
Total Revenues	<u>272,120</u>	<u>272,120</u>	<u>263,522</u>	<u>-0-</u>	<u>(8,598)</u>
<b><u>EXPENDITURES</u></b>					
Current:					
General governmental support	2,900	2,900	1,824		1,076
Home and community services	237,053	162,565	94,633		67,932
Employee benefits	33,892	34,181	30,086		4,095
Debt service:					
Principal		36,000	36,000		-0-
Interest		38,199	48,035		(9,836)
Total Expenditures	<u>273,845</u>	<u>273,845</u>	<u>210,578</u>		<u>63,267</u>
Excess of (Expenditures) Revenues	<u>(1,725)</u>	<u>(1,725)</u>	<u>52,944</u>	<u>-0-</u>	<u>54,669</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Interfund transfers in			23,842		23,842
Interfund transfers (out)			(23,842)		(23,842)
Premium and accrued interest on obligations			100		100
Total Other Financing (Uses) Sources			<u>100</u>		<u>100</u>
Excess of (Expenditures) and Other (Uses) over Revenues and Other Financing Sources	<u>(1,725)</u>	<u>(1,725)</u>	<u>53,044</u>	<u>\$ -0-</u>	<u>\$ 54,769</u>
Appropriated Fund Balance	<u>1,725</u>	<u>1,725</u>			
Net Increase	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>53,044</u>		
Fund Balance, Beginning of Year			457,389		
Fund Balance, End of Year			<u>\$ 510,433</u>		

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

VILLAGE OF NEWARK VALLEY  
SCHEDULE OF FUNDING PROGRESS  
FOR THE YEAR ENDED FEBRUARY 28, 2013

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2/28/13	\$ -0-	\$ 207,938	\$ 221,798	0.0%	\$ 211,368	105%
2/28/11	\$ -0-	\$ 221,798	\$ 221,798	0.0%	\$ 204,801	108%
2/28/10	\$ -0-	\$ 192,083	\$ 192,083	0.0%	\$ 178,697	107%

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

VILLAGE OF NEWARK VALLEY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED FEBRUARY 28, 2013

Note 1 - Budget Basis of Accounting

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

Note 2 - Budgetary Data

1. Budget Policies - The budget policies are as follows:
  - a. No later than December 20, a tentative budget is submitted by the Village Clerk to the Village Board for the fiscal year commencing the following March 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
  - b. After public hearings are conducted to obtain taxpayer comments, no later than February 1, the governing board adopts the budget.
  - c. All modifications of the budget must be approved by the governing board.

Note 3 - Reconciliation of the Budget Basis to GAAP

No adjustment is necessary to convert the excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis, as encumbrances are not added to actual expenditures, but are reported in a separate column.

Note 4 - Overexpenditure

Interest expenditures in the Water Fund were overexpended by \$9,836 due to the timing of the conversion of short-term into long-term debt.

Note 5 - Schedule of Funding Progress

The schedule of funding progress, presented as required supplementary information presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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Debbie Conley Jordan, C.P.A.  
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Duane R. Shoen, C.P.A.  
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*Certified Public Accountants and Consultants*

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Frederick J. Ciaschi, C.P.A.

**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**

Mayor and Village Trustees  
Village of Newark Valley  
Newark Valley, New York

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Newark Valley (the Village) as of and for the year ended February 28, 2013, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 12, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Village'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did identify one deficiency in internal control that we consider to be a material weakness, which is identified as 10-01 in the Schedule of Findings and Questioned Costs.

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### **Compliance and Other Matters**

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

### **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.

*Cinchi, DiCarlo, Little, Mickelson & Co., LLP*

August 12, 2013  
Ithaca, New York

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## Ciaschi • Dietershagen • Little • Mickelson & Company, LLP

*Certified Public Accountants and Consultants*

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Frederick J. Ciaschi, C.P.A.

### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Mayor and Village Trustees  
Village of Newark Valley  
Newark Valley, New York

#### **Report on Compliance for Each Major Federal Program**

We have audited the Village of Newark Valley's (the Village) 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's major federal programs for the year ended February 28, 2013. The Village's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Village'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 Village'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's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, the Village of Newark Valley 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 December 31, 2013.

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## **Report on Internal Control Over Compliance**

The management of the Village of Newark Valley 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'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 Village'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.

*Cinchi, Dickelgren, Little, Mickelson & Co., LLP*

August 12, 2013  
Ithaca, New York

VILLAGE OF NEWARK VALLEY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED FEBRUARY 28, 2013

<u>Federal Grantor/Pass - Through Grantor Program Title</u>	<u>Federal CFDA #</u>	<u>Pass - Through Grantor #</u>	<u>Expenditures</u>
<u>Rural Utilities Service, U.S. Department of Agriculture</u>			
Water and Waste Disposal Systems for Rural Communities - ARRA	10.781	N/A - Direct	\$ <u>738,599</u>
Total Expenditures of Federal Awards			\$ <u><u>738,599</u></u>

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards

VILLAGE OF NEWARK VALLEY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED FEBRUARY 28, 2013

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs administered by the Village, an entity as defined in Note 1 to the Village's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

Note 2 - Basis of Accounting

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements.

Note 3 - Indirect Costs

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

Note 4 - Matching Costs

Matching costs, i.e., the Village's share of certain program costs, are not included in the reported expenditures.

Note 5 - Subrecipients

No amounts were provided to subrecipients.

VILLAGE OF NEWARK VALLEY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED FEBRUARY 28, 2013

**Section I - Summary of Auditor's Results:**

***Financial Statements***

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified that is not considered to be a 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 is not considered to be a material weakness(es)?  yes  none reported

Type of auditor's report 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:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.781	Water and Waste Disposal Systems for Rural Communities - ARRA

Dollar threshold used to distinguish between type A and type B Programs: \$ 300,000

Auditee qualified as low-risk?  yes  no

VILLAGE OF NEWARK VALLEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)  
FOR THE YEAR ENDED FEBRUARY 28, 2013

**Section II - Financial Statement Findings**

**10-01** Preparation of Financial Statements in Accordance with Accounting Principles Generally Accepted in the United States of America

Condition:

The Village does not have the ability to prepare financial statements in accordance with accounting principles generally accepted in the United States. However, the Village does have the ability to prepare financial statements on a prescribed basis of accounting that demonstrates compliance with the regulatory basis of accounting and budget laws of New York State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Cause/Effect:

This condition stems from the fact that the Village has never been required to prepare financial statements in accordance with accounting principles generally accepted in the United States and is only doing so for financial statements for the year ending February 28, 2013 in order to comply with USDA Rural Development grant requirements.

Recommendation:

We recommend, in the event the Village intends to continue to prepare financial statements in accordance with accounting principles generally accepted in the United States, Village personnel obtain the knowledge necessary to do so or hire a consultant to prepare the annual financial statements.

Management's Response:

After the completion of the requirements by USDA Rural Development, the Village does not anticipate it will be required to prepare financial statements in accordance with accounting principles generally accepted in the United States and will continue to prepare financial statements on a prescribed basis of accounting that demonstrates compliance with the regulatory basis of accounting and budget laws of New York State.

**Section III - Federal Award Findings and Questioned Costs**

None