

VILLAGE OF NEWARK VALLEY

Newark Valley, New York

FINANCIAL REPORT

February 28, 2011

VILLAGE OF NEWARK VALLEY
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INDEPENDENT AUDITOR'S REPORT

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

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, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2011 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and the Schedule of Funding Progress on pages 2 through 2g and 23 through 27 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.

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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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's financial statements as a whole. The accompanying 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-Profits Organizations*, and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates 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.

Cinelli, Dickerson, Little, Mickelson & Co., LLP

September 19, 2011
Ithaca, New York

VILLAGE OF NEWARK VALLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2011

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, 2011. Please read it in conjunction with the Village's financial statements, which begin on page 3.

FINANCIAL HIGHLIGHTS

- ❖ The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$3,367,559 (net assets).
- ❖ Net assets increased \$906,022 for the year ending February 28, 2011. 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 \$891,899 in grant revenue, whereas the associated expenditures were capitalized as construction in progress.
- ❖ The Village reissued a Bond Anticipation Note (BAN) for \$2,230,000 to finance the water system improvement. The BAN will eventually be refinanced with a long-term USDA loan.
- ❖ The General Fund reported total fund balance of \$554,366 at year end. Of this amount, \$334,252 is reserved for capital improvements, \$1,794 is reserved for unemployment insurance, \$68,562 is designated for the liability for retiree health insurance, \$114,582 is designated to balance the 2012 budget, and \$35,176 is unreserved and undesignated.

USING THIS ANNUAL REPORT

This annual report consists of a series of basic financial statements. The Statement of Net Assets and the Statement of Activities (on pages 3 through 4) 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 5. 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.

Reporting the Village as a Whole

Our analysis of the Village as a whole begins on page 3, with the Government-wide statements. The Statement of Net Assets 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.

VILLAGE OF NEWARK VALLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED FEBRUARY 28, 2011

In the Statement of Net Assets 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 5. 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 9. 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.

THE VILLAGE AS A WHOLE

The Village's *combined* net assets for fiscal year ended February 28, 2011 increased from \$2,461,537 to \$3,367,559. A portion of the Village's net assets (38.1%) 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.

The remaining category of total net assets, unrestricted net assets in the amount of \$2,048,892, may be used to meet the government's ongoing obligations and services to creditors and citizens.

VILLAGE OF NEWARK VALLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED FEBRUARY 28, 2011

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 Asset

Governmental Activities	Restated 2010	2011	Dollar Change 2010-2011
<i>Current assets</i>	\$ 3,322,682	\$ 2,260,115	\$ (1,062,567)
<i>Capital assets, net</i>	1,549,889	3,536,892	1,987,003
Total assets	4,872,571	5,797,007	924,436
<i>Current liabilities</i>	2,377,894	2,360,886	(17,008)
<i>Noncurrent liabilities</i>	33,140	68,562	35,422
Total liabilities	2,411,034	2,429,448	18,414
<i>Invested in capital assets, net of debt</i>	518,793	1,306,892	788,099
<i>Restricted for debt</i>	-0-	11,775	11,775
<i>Unrestricted</i>	1,942,744	2,048,892	106,148
Total net assets	\$ 2,461,537	\$ 3,367,559	\$ 906,022

During the year, current assets consisted of \$357,549 in cash and cash equivalents, restricted cash of \$615,848, investments of \$16,687, receivables of \$1,267,255, and prepaid expenses of \$2,776. The receivables include \$1,233,000 due from the USDA for reimbursement of amounts expended under a water system improvement grant. The decrease in current assets is largely due to the use of BAN proceeds during 2011. Current liabilities consisted of a BAN payable of \$2,230,000 and payables of \$130,886. Noncurrent liabilities reflect the accrual for retiree health insurance. This liability will continue to grow, as there is no legal mechanism in New York State through which to fund the 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.

VILLAGE OF NEWARK VALLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED FEBRUARY 28, 2011

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

Figure 2
Changes in Net Assets

Governmental Activities	Restated 2010	2011	Dollar Change 2010-2011
REVENUES			
<i>Program revenues:</i>			
Charges for services	\$ 263,025	\$ 357,102	\$ 94,077
Operating grants	9,033	3,039	(5,994)
Capital grants	1,121,293	911,338	(209,955)
<i>General revenues:</i>			
Property taxes and tax items	213,394	211,550	(1,844)
Nonproperty taxes	106,776	91,316	(15,460)
Unrestricted grants	13,029	11,276	(1,753)
Use of money and property	23,175	16,974	(6,201)
Transfer from component unit	137,790	-0-	(137,790)
Other general revenues	2,594	14,974	12,380
Total revenues	1,890,109	1,617,569	(272,540)
PROGRAM EXPENSES			
General government	218,615	283,676	65,061
Public safety	7,634	15,707	8,073
Transportation	113,961	84,305	(29,656)
Culture and recreation	9,370	44,362	34,992
Home and community services	223,707	247,801	24,094
Interest on debt	12,648	35,696	23,048
Total expenses	585,935	711,547	125,612
INCREASE IN NET ASSETS	\$ 1,304,174	\$ 906,022	\$ (398,152)

Governmental Activities

Revenues for the Village's activities decreased due to the ending of grant revenue related to funding for the water system improvement project. The entire project is estimated at \$4,230,000. The Village is to receive grant funds of \$1,994,000 and a loan of \$2,230,000 from USDA Rural Development, as well as local funding of \$6,000. In addition to the water system project grant, the Village also received \$18,624 from New York State for street improvements. The increase in charges for services is due to the implementation of a debt service charge to water customers to cover the retirement of debt associated with the improvement project. Use of money and property was down approximately 27 percent from last year due to lower interest rates resulting from the economic climate. The transfer from the component in 2010 was related to a return of grant funds from the Tappan-Spaulling Memorial Library which was not repeated in 2011.

The large increase in net assets is caused by recognition of grant revenue, while expenditures associated with the grant have been capitalized.

VILLAGE OF NEWARK VALLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED FEBRUARY 28, 2011

Figure 3 shows the sources of revenues for 2011.

Figure 3
Revenue by Source
2011

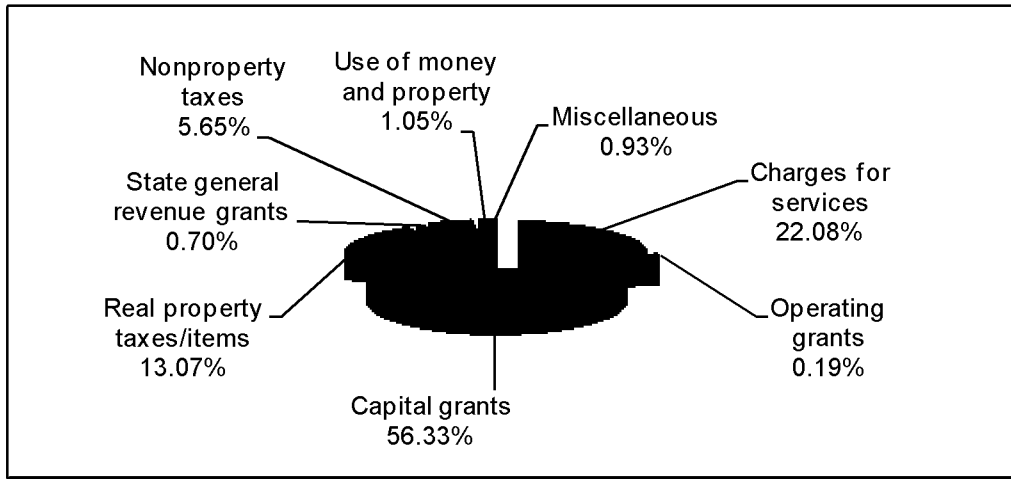
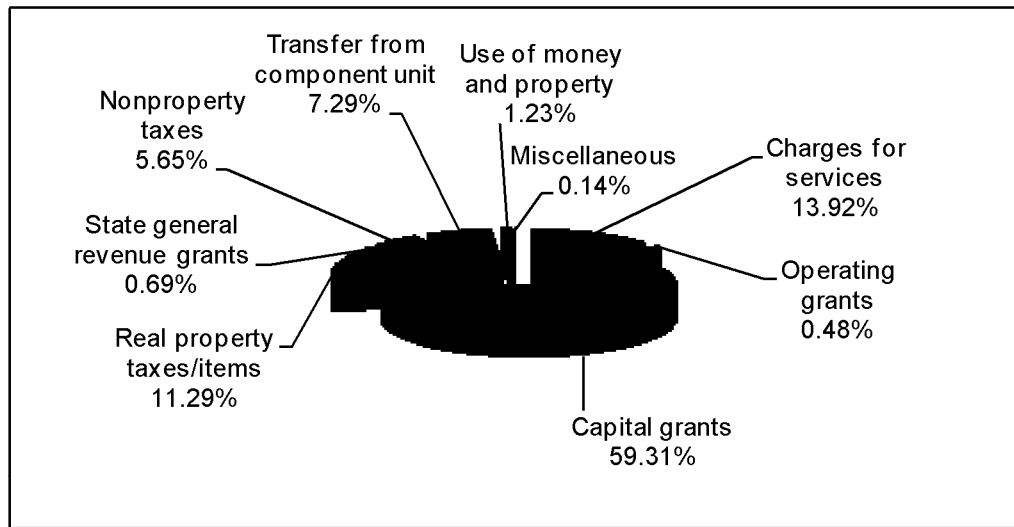


Figure 4
Revenue by Source
2010



The cost of all Governmental Activities this year was \$711,547. Overall, the Village's governmental program revenues, including fees for services and grants, were \$1,271,479. The Village recognized \$346,090 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 Assets.

VILLAGE OF NEWARK VALLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED FEBRUARY 28, 2011

Figure 5
Program Cost and Revenue Comparison
Governmental Activities
2011

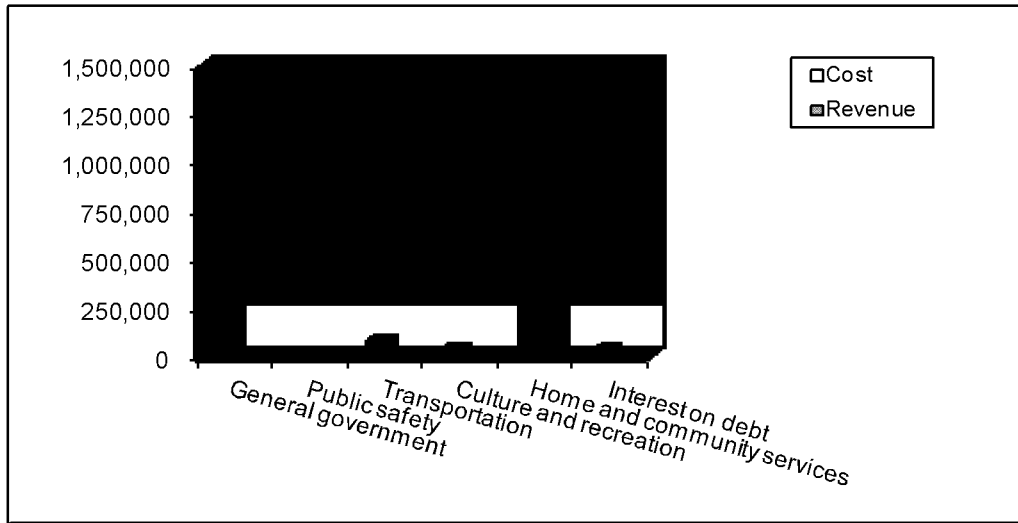
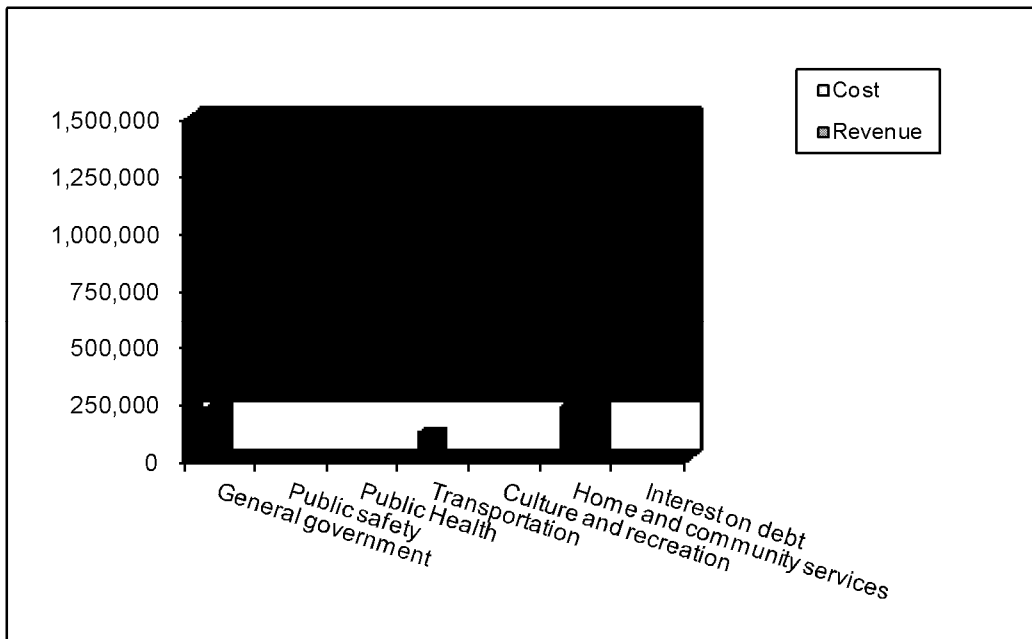


Figure 6
Program Cost and Revenue Comparison
Governmental Activities
2010



VILLAGE OF NEWARK VALLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED FEBRUARY 28, 2011

THE VILLAGE'S FUNDS

As the Village completed the year, its Governmental Funds, as presented in the balance sheets on pages 5-5a, reported a combined fund deficit of \$(1,228,555), an increase from last year's total of \$(138,675). The Capital Projects Fund's decrease in fund balance is due to the use of unspent debt proceeds. This deficit will be eliminated when short-term financing is converted to long-term debt. Currently the Capital Fund has a receivable with a corresponding deferral of \$1,139,213 as this receivable is not expected to be received within the Village's availability period for revenue recognition. 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 7 shows the changes in fund balances during the year for the Village's funds.

Figure 7
Governmental Funds
Fund Balances at Year Ending

	Restated 2010	2011	Dollar Change 2010 - 2011	Percent Change 2010 - 2011
<i>Major Funds:</i>				
General Fund	\$ 625,108	\$ 554,366	\$ (70,742)	(11.32%)
Capital Projects Fund	(1,071,620)	(2,209,208)	(1,137,588)	(106.16%)
<i>Special Revenue Funds:</i>				
Refuse and Garbage	21,558	34,123	12,565	58.28%
Water Fund	266,989	371,647	104,658	39.20%
Miscellaneous Special Revenue Fund	19,290	20,517	1,227	6.36%
Totals	\$ (138,675)	\$ (1,228,555)	\$ (1,089,880)	(785.92%)

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 \$24,578 above the final budgeted amount. The most significant positive variance was the result of sales tax revenue over budget by \$15,816, while the most significant negative variance of \$(9,210) was due to lower interest rates.

The actual charges to appropriations (expenditures) and transfers out were below final budget amounts by \$2,830.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At February 28, 2011 the Village had \$3,536,892 invested in a broad range of capital assets, including buildings, machinery and equipment, roads and water infrastructure, net of accumulated depreciation of \$403,988. The net amount represents a net increase (including additions of \$2,054,982, the net book value of disposed assets of \$4,037, changes in estimates of accumulated depreciation of \$18,678, and depreciation expense of \$45,264) of \$1,987,003 over last year. The increase is almost entirely water system improvements. In addition, the Village purchased equipment in the amount of \$104,710 and made infrastructure improvements of \$23,653.

VILLAGE OF NEWARK VALLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED FEBRUARY 28, 2011

Figure 8
Capital Assets at Historical Cost

Historical Cost	Governmental Activities and Total Government		Dollar Change	Percent Change
	Reclassified 2010	2011	2010 - 2011	2010 - 2011
Land	\$ 42,210	\$ 38,173	\$ (4,037)	(9.6%)
Construction in progress	1,102,111	3,028,730	1,926,619	174.8%
Buildings	210,132	226,932	16,800	8.0%
Equipment	280,682	385,392	104,710	37.3%
Infrastructure	254,800	261,653	6,853	2.7%
Totals	\$ 1,889,935	\$ 3,940,880	\$ 2,050,945	108.5%

Debt Administration

Debt (bonds and BANs), considered a liability of Governmental Activities, was \$2,230,0000 at year end. This consisted of a BAN for the water system improvement project. This amount is not subject to the Village's constitutional debt limit.

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 most recent New York State 2% tax cap initiation, which 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 ASSETS
FEBRUARY 28, 2011

	Primary Government Governmental Activities	Component Unit Tappan-Spaulding Memorial Library
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents - Unrestricted	\$ 357,549	\$ 15,353
- Restricted	615,848	
Investments	16,687	209,245
Due from state and federal governments	1,233,000	
Due from other governments	4,668	10,000
Other receivables, net	29,587	
Prepaid expenses	2,776	
Total Current Assets	2,260,115	234,598
Noncurrent Assets:		
Capital assets, nondepreciable	3,066,903	
Capital assets, depreciable, net of accumulated depreciation	469,989	
Total Noncurrent Assets	3,536,892	
Total Assets	5,797,007	234,598
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	40,158	2,625
Interest payable	11,429	
Retained percentages	79,278	
Overpayments	21	
Bond Anticipation Notes Payable	2,230,000	
Total Current liabilities	2,360,886	2,625
Noncurrent Liabilities:		
Liability for other postemployment benefits	68,562	
Total Noncurrent Liabilities	68,562	
Total Liabilities	2,429,448	2,625
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	1,306,892	
Restricted for debt service	11,775	
Unrestricted	2,048,892	231,973
Total Net Assets	\$ 3,367,559	\$ 231,973

See Independent Auditor's Report and Notes to Financial Statements

VILLAGE OF NEWARK VALLEY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2011

					Net (Expense) Revenue and Changes in Net Assets	
FUNCTIONS/PROGRAMS	Program Revenues				Primary Government	Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Government	Tappan- Spaulding Memorial Library
Governmental Activities:						
General governmental support	\$ (283,676)	\$ 1,247	\$	\$	\$ (282,429)	\$
Public safety	(15,707)	1,095	80		(14,532)	
Transportation	(84,305)			18,624	(65,681)	
Culture and recreation	(44,362)	7,602	2,959	825	(32,976)	
Home and community services	(247,801)	347,158		891,889	991,246	
Interest on debt	(35,696)				(35,696)	(35,696)
Total Functions and Programs	\$ (711,547)	\$ 357,102	\$ 3,039	\$ 911,338	559,932	(35,696)
Component Unit:						
Tappan-Spaulding Memorial Library	\$ (52,973)	\$ 39,314	\$ 3,000	\$ -0-		(10,659)

GENERAL REVENUES

Real property taxes	208,819	
Real property tax items	2,731	
Nonproperty tax items	91,316	
Grants - Unrestricted	11,276	
Use of money and property	16,974	16,449
Miscellaneous local sources	13,839	286
Sale of property and compensation for loss	1,135	
Total General Revenues	346,090	16,735
Change in Net Assets	906,022	6,076
Net Assets - Beginning, as restated	2,461,537	225,897
Net Assets - Ending	\$ 3,367,559	\$ 231,973

See Independent Auditor's Report and Notes to Financial Statements

VILLAGE OF NEWARK VALLEY
BALANCE SHEET
GOVERNMENTAL FUNDS
FEBRUARY 28, 2011

		Major Funds	
		General Fund	Capital Projects Fund
<u>ASSETS</u>			
Assets:			
Cash and cash equivalents - Unrestricted	\$	210,337	\$ 38,562
Cash and cash equivalents - Restricted		336,046	
Temporary investments			
Due from other funds			19,615
Due from state and federal governments			1,233,000
Due from other governments		4,668	
Other receivables, net		578	
Prepaid expenses		2,776	
Total Assets	\$	554,405	\$ 1,291,177
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$	39	\$ 40,119
Due to other funds			11,775
Bond Anticipation Notes payable			2,230,000
Retainage payable			79,278
Overpayments			
Deferred revenues			1,139,213
Total Liabilities		39	3,500,385
Fund Balances:			
Fund Balances - Reserved:			
Capital		334,252	
Repairs			
Debt			
Unemployment insurance		1,794	
Total Reserved		336,046	-0-
Fund Balances - Unreserved, Reported in:			
General Fund:			
Designated - retiree health insurance		68,562	
Designated - next year's budget		114,582	
Undesignated		35,176	
Special Revenue Funds:			
Designated - Ensuing year's budget			
Undesignated			
Capital Projects Funds			(2,209,208)
Total Fund Balances		554,366	(2,209,208)
Total Liabilities and Fund Balances	\$	554,405	\$ 1,291,177

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
\$ 1,881	\$ 102,939	\$ 3,830	\$ 357,549
32,197	247,605		615,848
		16,687	16,687
	11,775		31,390
			1,233,000
			4,668
45	28,964		29,587
			2,776
\$ 34,123	\$ 391,283	\$ 20,517	\$ 2,291,505
\$	\$	\$	\$ 40,158
	19,615		31,390
			2,230,000
			79,278
	21		21
			1,139,213
-0-	19,636	-0-	3,520,060
32,197			366,449
	235,830		235,830
	11,775		11,775
			1,794
32,197	247,605	-0-	615,848
			68,562
			114,582
			35,176
1,948	6,786		8,734
(22)	117,256	20,517	137,751
			(2,209,208)
34,123	371,647	20,517	(1,228,555)
\$ 34,123	\$ 391,283	\$ 20,517	\$ 2,291,505

VILLAGE OF NEWARK VALLEY
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FEBRUARY 28, 2011

Total Governmental Fund Balances	\$ (1,228,555)
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Amounts reported for Governmental Activities in the Statement of Net Assets 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	\$ 3,940,880	
Less accumulated depreciation	<u>(403,988)</u>	3,536,892

Certain accrued expenses reported in the Statement of Net Assets do not require the use of current financial resources and, therefore, are not reported as liabilities in Governmental Funds.

Accrued interest payable	\$ (11,429)	
Liability for other postemployment benefits	<u>(68,562)</u>	(79,991)

Certain accrued revenues reported in the Statement of Net Assets are received after the availability period for recognition of revenue in the Governmental Funds.

	<u>1,139,213</u>
Net Assets of Governmental Activities	\$ <u><u>3,367,559</u></u>

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, 2011

	Major Funds	
	General Fund	Capital Projects Fund
<u>REVENUES</u>		
Real property taxes	\$ 208,819	\$
Real property tax items	2,731	
Nonproperty tax items	91,316	
Departmental income	9,944	
Use of money and property	13,651	1,476
Sale of property and compensation for loss	3,935	
Miscellaneous local sources	13,012	825
State sources	29,980	
Federal sources		848,787
Total Revenues	373,388	851,088
<u>EXPENDITURES</u>		
Current:		
General governmental support	208,251	
Public safety	15,707	
Transportation	111,305	
Culture and recreation	36,058	
Home and community services	8,851	
Employee benefits	51,286	
Debt service:		
Interest		
Capital outlay		1,988,676
Total Expenditures	431,458	1,988,676
Excess of (Expenditures) Revenues	(58,070)	(1,137,588)
<u>OTHER FINANCING SOURCES (USES)</u>		
Interfund transfers in		
Interfund transfers (out)	(12,672)	
Premium and accrued interest on obligations		
Total Other Financing Sources (Uses)	(12,672)	-0-
Excess of Revenues and Other Financing Sources over (Expenditures) and Other (Uses)	(70,742)	(1,137,588)
Fund Balances, Beginning of Year, as restated	625,108	(1,071,620)
Fund Balances, End of Year	\$ 554,366	\$ (2,209,208)

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
\$	\$	\$	\$
			208,819
			2,731
			91,316
44,621	290,782		345,347
38	453	1,356	16,974
1,217			5,152
	3,786		17,623
			29,980
			848,787
45,876	295,021	1,356	1,566,729
	10,748		218,999
			15,707
			111,305
		129	36,187
41,142	128,076		178,069
4,841	26,399		82,526
	36,915		36,915
			1,988,676
45,983	202,138	129	2,668,384
(107)	92,883	1,227	(1,101,655)
12,672			12,672
			(12,672)
	11,775		11,775
12,672	11,775	-0-	11,775
12,565	104,658	1,227	(1,089,880)
21,558	266,989	19,290	(138,675)
\$ 34,123	\$ 371,647	\$ 20,517	\$ (1,228,555)

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, 2011

Net Change in Fund Balances - Total Governmental Funds \$ (1,089,880)

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	\$ 2,054,982	
Net book value of disposed/reclassified assets	(22,715)	
Depreciation expense, net	<u>(45,264)</u>	1,987,003

Certain revenue in the Governmental Funds is deferred or not recognized because it is not available soon enough after year end to pay for the current period's expenditures. On the accrual basis, however, this is recognized regardless of when it is collected.	43,102
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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	\$ 1,219	
Liability for other postemployment benefits	<u>(35,422)</u>	<u>(34,203)</u>
Change in Net Assets of Governmental Activities		<u><u>\$ 906,022</u></u>

See Independent Auditor's Report and Notes to Financial Statements

VILLAGE OF NEWARK VALLEY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FEBRUARY 28, 2011

		Agency Funds
	<u>ASSETS</u>	
Other receivables		\$ <u>1,556</u>
Total Assets		\$ <u><u>1,556</u></u>
	<u>LIABILITIES</u>	
Agency liabilities		\$ <u>1,556</u>
Total Liabilities		\$ <u><u>1,556</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, 2011

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, 2011

1. Government-wide Statements

The Government-wide statements include a Statement of Net Assets 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 Assets, 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, 2011

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 Funds - Account 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 Assets. 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, 2011

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

Temporary 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 \$8,127 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, 2011

	<u>Life</u>	<u>Threshold</u>
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."

VILLAGE OF NEWARK VALLEY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED FEBRUARY 28, 2011

2. Governmental Fund Financial Statements

Governmental Fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. The Governmental Funds report the following reserves:

Capital Reserve Fund - Used to accumulate resources for the purchase and/or construction of capital assets. This reserve is accounted for in the General Fund.

Reserve for Repairs Fund - Used to accumulate resources for the repair of capital assets. This reserve is accounted for in the Water Fund.

Unemployment Insurance Reserve - Used for payments in lieu of contributions required of employers under Article 18 of the labor law. This reserve is accounted for in the General Fund.

Debt Service Reserve - Consists of debt premiums and interest earnings on unspent debt proceeds and used to pay debt service on capital projects.

The Village also designated fund balances as follows:

Designated for Retiree Health Insurance - Accumulates funds to offset the cost of retiree health insurance, the liability for which is reported in the Government-wide financial statements. This designation is accounted for in the General Fund.

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 Assets and the Statement of Activities.

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.

VILLAGE OF NEWARK VALLEY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED FEBRUARY 28, 2011

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 percent 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 percent 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 \$1,018,924 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 \$4,222 at year end.

Pooled Cash - During 2011, 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.

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 9,404, respectively.

	Market Value
Village - Miscellaneous Special Revenue Fund	\$ 16,687
Tappan Spaulding Memorial Library	\$ 209,245

VILLAGE OF NEWARK VALLEY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED FEBRUARY 28, 2011

2. Restricted Cash

Total restricted cash of \$615,848 is composed of \$11,775 reserved for debt, \$366,449 reserved for future capital projects, \$235,830 for repairs, and \$1,794 for unemployment insurance.

3. Other Receivables

	Description	Amount
General Fund	Franchise fees	\$ 578
Water Fund	Rents and judgments	37,091
Refuse and Garbage	Fees	45
Total Governmental Activities		<u>\$ 29,587</u>

4. Capital Assets

A summary of changes in capital assets at February 28, 2011 follows.

	Balance at 2/28/10	Additions	Deletions/ Reclassifi- cations	Balance at 2/28/11
<u>Governmental Activities:</u>				
Non-depreciable Capital Assets:				
Land	\$ 42,210	\$	\$ (4,037)	\$ 38,173
Construction in Progress	1,102,111	1,926,619		3,028,730
Total Non-depreciable Capital Assets	1,144,321	1,926,619	(4,037)	3,066,903
Depreciable Capital Assets:				
Buildings	210,132		16,800	226,932
Machinery and equipment	280,682	104,710		385,392
Infrastructure	254,800	23,653	(16,800)	261,653
Total Depreciable Capital Assets	745,614	128,363	-0-	873,977
Total Historical Cost	1,889,935	2,054,982	(4,037)	3,940,880
Less Accumulated Depreciation:				
Buildings	(71,954)	(13,874)	(2,518)	(88,346)
Machinery and equipment	(179,837)	(20,112)	(19,065)	(219,014)
Infrastructure	(88,255)	(11,278)	2,905	(96,628)
Total Accumulated Depreciation	(340,046)	(45,264)	(18,678)	(403,988)
Governmental Activities Capital Assets, Net	<u>\$ 1,549,889</u>	<u>\$ 2,009,718</u>	<u>\$ (22,715)</u>	<u>\$ 3,536,892</u>

VILLAGE OF NEWARK VALLEY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED FEBRUARY 28, 2011

Depreciation expense was charged to functions as follows:

Governmental Activities:

General governmental support	\$ 18,817
Transportation	10,864
Culture and recreation	1,945
Home and community services	<u>13,638</u>

Total Governmental Activities Depreciation Expense	<u>\$ 45,264</u>
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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 percent of the contributions required for each year. The required contributions for the current year and two preceding years were:

<u>Year</u>	<u>ERS</u>
2011	\$ 23,780
2010	14,550
2009	16,618

VILLAGE OF NEWARK VALLEY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED FEBRUARY 28, 2011

2. Short-term Debt

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.

During 2011, the Village renewed the BAN for Water System Improvements:

<u>Description of BAN</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
Water System Improvements	10/28/2010	10/27/2011	1.50%	\$ <u>2,230,000</u>

At February 28, 2011, the total outstanding indebtedness (bonds and BANS) of the Village aggregated \$2,230,000. This amount is not subject to the constitutional debt limit of \$2,193,727.

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

	<u>Balance Mar. 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Feb. 28, 2011</u>
BANs	\$ <u>2,230,000</u>	\$ <u>2,230,000</u>	\$ <u>2,230,000</u>	\$ <u>2,230,000</u>
Total	\$ <u>2,230,000</u>	\$ <u>2,230,000</u>	\$ <u>2,230,000</u>	\$ <u>2,230,000</u>

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

Interest paid	\$ 36,915
Less interest accrued in the prior year	(12,648)
Plus interest accrued in the current year	<u>11,429</u>
Total Expense	\$ <u>35,696</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, 2011

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 percent of the cost of current year premiums for eligible retired plan members and 85 percent for their spouses. For fiscal year 2011, the Village contributed \$-0- 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	\$ 35,972
Interest on net OPEB obligation	1,326
Adjustment to annual required contribution	<u>(1,876)</u>
Annual OPEB cost	35,422
Contributions made	<u>-0-</u>
Increase in net OPEB obligation	<u>35,422</u>
 Net OPEB Obligation-Beginning of Year	 <u>33,140</u>
 Net OPEB Obligation-End of Year	 <u>\$ 68,562</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 2011 was as follows:

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ <u>35,422</u>	0%	\$ <u>35,422</u>
2010	\$ <u>33,140</u>	0%	\$ <u>33,140</u>

As of February 28, 2011, the actuarial accrued liability for benefits was \$221,798, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$204,801, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 108 percent.

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, 2011

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, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 20.0 percent initially, reduced by decrements to an ultimate rate of 4.2 percent at 2085. Both rates included a 2.9 percent inflation assumption.

Based on the historical and expected returns of the Village's short-term investment portfolio, a discount rate of 4.0 percent 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 remaining amortization period at February 28, 2011 was twenty-nine 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, 2011

Interfund receivable and payable balances at February 28, 2011 are as follows:

	Interfund Receivables	Interfund Payables	Interfund Transfer Revenue	Interfund Transfer Expense
General Fund	\$	\$	\$	\$ 12,672
Refuse and Garbage Fund			12,672	
Capital Projects Fund	19,615	11,775		
Water Fund	11,775	19,615		
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ 31,390	\$ 31,390	\$ 12,672	\$ 12,672

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, 2011.

Note 5 - Restatement of Capital Projects Fund Balance, Library Fund Balance and Governmental Net Assets as of February 28, 2010

Subsequent to the issuance of financial statements for the year ending February 28, 2010, dated November 19, 2010, the Village became aware certain liability accounts in the Capital Projects Fund, revenues in the Statement of Activities and investments for the Tappan Memorial Library were understated. Therefore, fund balances and net assets as of February 28, 2010 were restated as follows:

	Capital Projects Fund	Governmental Activities	Library Fund
Fund Balance/Net Assets as of February 28, 2010 per report dated November 19, 2010	\$ (988,326)	\$ 2,378,243	\$ 42,137
Restatement	(83,294)	83,294	183,760
Fund Balance/Net Assets as of February 28, 2010 as restated	\$ (1,071,620)	\$ 2,461,537	\$ 225,897

In addition, the amount of the Capital Projects Fund payable increased the amount of deferred revenue in the Capital Projects Fund and increased fixed assets and grant revenue in the government-wide financial statements. The Village has established procedures to ensure liability and investment balances are properly reported in the future.

VILLAGE OF NEWARK VALLEY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 28, 2011

	Original Budget	Final Budget	Actual	Encumbrances	Variance
<u>REVENUES</u>					
Real property taxes	\$ 208,819	\$ 208,819	\$ 208,819	\$	\$ -0-
Real property tax items	2,000	2,000	2,731		731
Nonproperty tax items	75,500	75,500	91,316		15,816
Departmental income	5,800	5,800	9,944		4,144
Use of money and property	22,861	22,861	13,651		(9,210)
Sale of property and compensation for loss	1,135	2,429	3,935		1,506
Miscellaneous local sources	2,450	4,801	13,012		8,211
State sources	26,600	26,600	29,980		3,380
Total Revenues	345,165	348,810	373,388	-0-	24,578
<u>EXPENDITURES</u>					
Current:					
General governmental support	214,299	224,295	208,251		16,044
Public safety	23,000	16,714	15,707		1,007
Transportation	107,296	100,397	111,305		(10,908)
Culture and recreation	35,588	39,216	36,058		3,158
Home and community services	10,410	10,423	8,851		1,572
Employee benefits	48,746	51,811	51,286		525
Total Expenditures	439,339	442,856	431,458		11,398
Excess of (Expenditures)	(94,174)	(94,046)	(58,070)	-0-	35,976
<u>OTHER FINANCING SOURCES (USES)</u>					
Interfund transfers (out)	(3,976)	(4,104)	(12,672)		(8,568)
Total Other Financing Sources (Uses)	(3,976)	(4,104)	(12,672)		(8,568)
Excess of (Expenditures) and Other (Uses) over Revenues and Other Financing Sources	(98,150)	(98,150)	(70,742)	\$ -0-	\$ 27,408
Appropriated Fund Balance	98,150	98,150			
Net Increase	\$ -0-	\$ -0-	(70,742)		
Fund Balance, Beginning of Year			625,108		
Fund Balance, End of Year			\$ 554,366		

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, 2011

	Original Budget	Final Budget	Actual	Encumbrances	Variance
<u>REVENUES</u>					
Departmental income	\$ 50,620	\$ 50,620	\$ 44,621	\$	\$ (5,999)
Use of money and property	100	100	38		(62)
Sale of property and compensation for loss	1,500	1,500	1,217		(283)
Total Revenues	52,220	52,220	45,876	-0-	(6,344)
<u>EXPENDITURES</u>					
Current:					
Home and community services	48,129	47,627	41,142		6,485
Employee benefits	6,039	6,541	4,841		1,700
Total Expenditures	54,168	54,168	45,983		8,185
Excess of Revenues	(1,948)	(1,948)	(107)	-0-	1,841
<u>OTHER FINANCING SOURCES (USES)</u>					
Interfund transfers in			12,672		12,672
Total Other Financing Sources (Uses)			12,672		12,672
Excess of (Expenditures) and Other (Uses) over Revenues and Other Financing Sources	(1,948)	(1,948)	12,565	\$ -0-	\$ <u>14,513</u>
Appropriated Fund Balance	1,948	1,948			
Net Increase	\$ <u>-0-</u>	\$ <u>-0-</u>	12,565		
Fund Balance, Beginning of Year			21,558		
Fund Balance, End of Year			\$ <u>34,123</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, 2011

	Original Budget	Final Budget	Actual	Encumbrances	Variance
<u>REVENUES</u>					
Departmental income	\$ 262,892	\$ 262,892	\$ 290,782	\$	\$ 27,890
Use of money and property	500	500	453		(47)
Miscellaneous local sources			3,786		3,786
Interfund revenues					-0-
Total Revenues	263,392	263,392	295,021	-0-	31,629
<u>EXPENDITURES</u>					
Current:					
General governmental support	4,500	4,500	2,621		1,879
Home and community services	190,095	188,955	128,076		60,879
Employee benefits	24,863	26,548	26,399		149
Debt service:					
Interest	50,175	50,175	36,915		13,260
Total Expenditures	269,633	270,178	194,011		76,167
Excess of (Expenditures) Revenues	(6,241)	(6,786)	101,010	-0-	107,796
<u>OTHER FINANCING SOURCES (USES)</u>					
Premium and accrued interest on obligations			11,775		11,775
Total Other Financing (Uses) Sources			11,775		11,775
Excess of (Expenditures) and Other (Uses) over Revenues and Other Financing Sources	(6,241)	(6,786)	112,785	\$ -0-	\$ 119,571
Appropriated Fund Balance	6,241	6,786			
Net Increase	\$ -0-	\$ -0-	112,785		
Fund Balance, Beginning of Year			266,989		
Less write off of bad debt expenditure			(8,127)		
Fund Balance, End of Year			\$ 371,647		

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, 2011

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
2/28/11	\$ -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, 2011

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 - 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.

John H. Dietershagen, C.P.A.
Jerry E. Mickelson, C.P.A.
Thomas K. Van Derzée, C.P.A.
Debbie Conley Jordan, C.P.A.
Patrick S. Jordan, C.P.A.
Duane R. Shoen, C.P.A.
Lesley L. Horner, C.P.A.
D. Leslie Spurgin, C.P.A.



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Frederick J. Ciaschi, C.P.A.

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 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, 2011, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies, as defined above. However, we identified a certain deficiency in internal control over financial reporting, as described above, that we consider to be a material weakness in internal control over financial reporting (10-01).

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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*.

We noted certain matters that we reported to management of the Village, in a separate letter dated September 19, 2011.

The Village's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Village's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Village Board, others within the Village, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cinelli, Dickerson, Little, Mickelson & Co., LLP

September 19, 2011
Ithaca, New York

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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

We have audited 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, 2011, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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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*.

This report is intended solely for the information and use of management, the Village Board, others within the Village, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

September 19, 2011
Ithaca, New York

VILLAGE OF NEWARK VALLEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED FEBRUARY 28, 2011

<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>1,988,676</u>
Total Expenditures of Federal Awards			\$ <u><u>1,988,676</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, 2011

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, 2011

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>
<u>10.781</u>	<u>Water and Waste Disposal Systems for Rural Communities - ARRA</u>

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, 2011

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 years ending February 28, 2011 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