

TOWN OF NORTH ELBA, NEW YORK

Fund Financial Statements and
Independent Auditors' Report

December 31, 2012

TOWN OF NORTH ELBA, NEW YORK

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INDEPENDENT AUDITORS' REPORT

Supervisor and Town Board
Town of North Elba, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the General, Highway Town-wide, Highway Outside Village, Fire Protection District, Road District, Park District, Sewer District, Water and Capital Projects funds of the Town of North Elba, New York (the Town) as of and for the year ended December 31, 2012, and the related notes to the 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 New York State reporting requirements of the Office of the State Comptroller, which are not 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 the New York State reports 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 the 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 Town'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 Town'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.

Basis for Adverse Opinions

As described in note 1, the financial statements present the General, Highway Town-wide, Highway Outside Village, Fire Protection District, Road District, Park District, Sewer District, Water and Capital Projects funds. Accounting principles generally accepted in the United States of America require that District's financial statements present the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town.

Adverse Opinions

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion" paragraph, the financial statements referred to above do not present fairly, the financial position of the Town as of December 31, 2012, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General, Highway Town-wide, Highway Outside Village, Fire Protection District, Road District, Park District, Sewer District, Water and Capital Projects funds of the Town as of December 31, 2012, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the statement of revenue and expenditures - budget and actual - General, Highway Outside Village, Fire Protection District, Road District, Park District, Sewer District and Water District funds on pages 21 - 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. 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 District's basic financial statements. The other supplementary information as listed in the table of contents is presented for additional analysis. 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-Profit Organizations, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2013, on our consideration of the Town of North Elba, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of North Elba, New York's internal control over financial reporting and compliance.

Toski & Co., CPAs, P.C.

Williamsville, New York
October 30, 2013

TOWN OF NORTH ELBA, NEW YORK
Balance Sheet
Governmental Funds
Year Ended December 31, 2012

	Special Revenue Funds											
	General	Highway		Fire Protection		Road		Park		Sewer District	Water	Capital Projects
		Townwide	Outside Village	District	District	District	District	District				
ASSETS												
Cash and cash equivalents	\$ 1,651,705	38,803	532,115	84,367	5,326	87,501	18,838	88,716	510,663	-	-	-
Cash - restricted	-	-	-	-	-	5,153	-	-	-	-	-	-
Accounts receivable	-	-	88,946	-	-	-	-	5,496	5,881	-	-	-
State and Federal receivables	80,657	-	-	-	-	-	-	-	-	-	-	16,730
Due from other funds	14,186	-	-	-	-	665	-	-	-	-	-	-
Prepaid charges	33,739	-	9,929	-	-	24,439	6,051	45	-	-	-	-
Total assets	<u>\$ 1,780,287</u>	<u>38,803</u>	<u>630,990</u>	<u>84,367</u>	<u>5,326</u>	<u>117,758</u>	<u>24,889</u>	<u>94,257</u>	<u>533,274</u>			
LIABILITIES												
Accounts payable	99,494	-	8,662	-	-	35,722	-	654	55,362	-	-	-
Accrued liabilities	-	-	-	-	-	7,500	-	-	-	-	-	-
Unearned revenue	236	-	666	-	-	25,510	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	13,828
Bond anticipation notes payable	-	-	-	-	-	-	-	-	-	-	-	30,000
Total liabilities	<u>99,730</u>	<u>-</u>	<u>9,328</u>	<u>-</u>	<u>-</u>	<u>68,732</u>	<u>-</u>	<u>654</u>	<u>99,190</u>			
FUND BALANCE												
Nonspendable	33,739	-	9,929	-	-	24,439	6,051	45	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-	-	11,626
Restricted	93,459	-	110,000	-	-	-	-	-	-	-	-	-
Assigned - appropriated	254,858	-	195,000	-	5,326	-	18,838	1,196	-	-	-	-
Assigned - unappropriated	3,286	38,803	306,733	84,367	-	24,587	-	92,362	459,683	-	-	-
Unassigned	1,295,215	-	-	-	-	-	-	-	(37,225)	-	-	-
Total fund balance	<u>1,680,557</u>	<u>38,803</u>	<u>621,662</u>	<u>84,367</u>	<u>5,326</u>	<u>49,026</u>	<u>24,889</u>	<u>93,603</u>	<u>434,084</u>			
Total liabilities and fund balance	<u>\$ 1,780,287</u>	<u>38,803</u>	<u>630,990</u>	<u>84,367</u>	<u>5,326</u>	<u>117,758</u>	<u>24,889</u>	<u>94,257</u>	<u>533,274</u>			

See accompanying notes to financial statements.

TOWN OF NORTH ELBA, NEW YORK
Statement of Revenue, Expenditures, and Changes in Fund Balance

Governmental Funds

Year Ended December 31, 2012

	Special Revenue Funds										
	Highway		Fire		Road		Park		Water		Capital
	General	Outside Village	Protection District	Road District	Park District	Sewer District	Water District	Projects			
Revenue:											
Real property taxes	\$ 1,052,259	-	347,667	675,730	5,339	1,701,725	19,037	26,279	-	-	-
Other real property tax items	23,265	-	295,041	-	-	-	-	-	-	-	-
Departmental income	726,837	-	603	-	-	387,291	14,253	42,857	-	-	-
Intergovernmental charges	35,548	-	87,561	-	-	-	-	-	-	-	-
Use of money and property	96,580	-	31,212	530	58	54,342	66	254	1,715	-	-
Licenses and permits	136,635	-	-	-	-	-	-	-	-	-	-
Fine and forfeitures	61,333	-	-	-	-	-	-	-	-	-	-
Sale of property and compensation for loss	319,428	-	13,746	-	-	-	-	-	-	-	-
Miscellaneous local sources	5,048	-	-	6,746	-	40,395	-	-	-	-	-
Interfund revenues	108,249	-	-	-	-	-	-	-	-	-	-
State aid	174,828	-	84,527	-	-	605	-	-	448,579	-	-
Federal aid	-	-	-	-	-	-	-	-	925,435	-	-
Total revenue	2,740,010	-	860,357	683,006	5,397	2,184,358	33,356	69,390	1,375,729	-	-
Other sources- operating transfers	-	-	-	-	-	-	-	-	401,400	-	-
Total revenue and other sources	2,740,010	-	860,357	683,006	5,397	2,184,358	33,356	69,390	1,777,129	-	-
Expenditures:											
General government support	678,353	-	-	-	-	-	-	29,664	259,914	-	-
Public safety	18,504	-	-	689,372	-	-	-	-	-	-	-
Health	78,047	-	-	-	-	-	-	-	-	-	-
Transportation	544,007	310	649,853	-	33,712	-	-	-	1,398,428	-	-

(Continued)

See accompanying notes to financial statements.

TOWN OF NORTH ELBA, NEW YORK
Statement of Revenue, Expenditures, and Changes in Fund Balance
Governmental Funds, Continued

	Special Revenue Funds														
	General	Highway		Fire Protection		Road District		Park District		Sewer District		Water District		Capital Projects	
		Townwide	Outside Village	District	District	District	District	District	District	District	District	District	District	District	District
Expenditures, Continued:															
Economic assistance and development	\$ 48,708	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	5,675	-	-	-	-	-	-	1,710,102	-	-	-	-	-	-	23,126
Home and community services	714,572	-	-	-	-	-	-	-	-	-	-	-	43,504	-	310,403
Employee benefits	552,054	-	139,792	-	-	-	-	276,739	-	-	-	-	-	-	-
Debt service - principal	100,000	-	40,000	-	-	4,200	-	129,400	-	26,400	-	23,162	-	-	-
Debt service - interest	8,400	-	5,500	-	-	1,159	-	44,069	-	5,426	-	2,587	-	-	-
Total expenditures	2,748,320	310	835,145	689,372	39,071	39,071	2,160,310	31,826	98,917	1,991,871	-	-	-	-	-
Other sources- operating transfers	310,402	-	-	-	-	-	90,998	-	-	-	-	-	-	-	-
Total expenditures and other sources	3,058,722	310	835,145	689,372	39,071	39,071	2,251,308	31,826	98,917	1,991,871	-	-	-	-	-
Excess of revenue over (under) expenditures	(318,712)	(310)	25,212	(6,366)	(33,674)	(66,950)	1,530	(29,527)	(214,742)	-	-	-	-	-	-
Other financing sources:															
Proceeds from the issuance of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BAN's redeemed from appropriations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,000
Total other financing sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,000
Net change in fund balance	(318,712)	(310)	25,212	(6,366)	5,326	(66,950)	1,530	(29,527)	(184,742)	-	-	-	-	-	-
Fund balance at beginning of year	2,002,753	39,113	596,450	90,733	-	-	115,948	23,359	123,130	618,826	-	-	-	-	-
Restatements	(3,484)	-	-	-	-	-	28	-	-	-	-	-	-	-	-
Fund balance at beginning of year, restated	1,999,269	39,113	596,450	90,733	-	-	115,976	23,359	123,130	618,826	-	-	-	-	-
Fund balance at end of year	\$ 1,680,557	38,803	621,662	84,367	5,326	49,026	24,889	93,603	434,084	-	-	-	-	-	-

See accompanying notes to financial statements.

TOWN OF NORTH ELBA
 Statement of Fiduciary Net Position
 Fiduciary Funds
 Year ended December 31, 2012

	<u>Agency funds</u>	<u>Private Purpose Trust</u>
Assets - cash	\$ 14,531	<u>26,994</u>
Liabilities:		
Due to other funds	1,023	-
Other liabilities	<u>13,508</u>	<u>-</u>
Total liabilities	<u>14,531</u>	<u>-</u>
Net position - restricted	<u>\$ -</u>	<u>26,994</u>

See accompanying notes to financial statements.

TOWN OF NORTH ELBA
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year ended December 31, 2012

	Private Purpose <u>Trust</u>
Revenue - investment earnings	\$ <u>5</u>
Change in net position	5
Net position at beginning of year	<u>26,989</u>
Net position at end of year	<u><u>\$ 26,994</u></u>

See accompanying notes to financial statements.

TOWN OF NORTH ELBA, NEW YORK

Notes to Fund Financial Statements

December 31, 2012

(1) Summary of Significant Accounting Policies

The Town of North Elba, New York (the Town) was established in 1849 and is governed by Town Law of the State of New York, other general state laws, and various local laws and ordinances. The Town Board, which consists of a Supervisor and four councilmen, is the legislative body responsible for overall operations. The Supervisor serves as chief executive officer and as chief fiscal officer.

The Town provides the following basic services: general governmental support, fire protection, airport, highways and streets, a transfer station, public improvements, planning and zoning, general administrative services, water and sewer, and recreation (including a toboggan chute, equestrian show grounds and a golf course).

The financial statements of the Town have been prepared using the statutory basis of accounting as prescribed by the Office of the State Comptroller of the State of New York for submitting annual financial reports to that office. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The statutory basis of accounting referred to above is considered an other comprehensive basis of accounting (OCBOA), which differed from accounting principles generally accepted in the United States of America primarily because it does not reflect the adoption of GASB Statements Number 34, 38 and 45. Consequently, the accompanying statutory basis financial statements are not intended to present financial position or results of operations in accordance with accounting principles generally accepted in the United States of America.

In preparing financial statements in conformity with the statutory basis of accounting referred to above, Town management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the statutory basis financial statements, and reported amount of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

The following is a summary of the Town's significant accounting policies consistently applied in the preparation of the accompanying statutory basis financial statement:

(a) Financial Reporting Entity

All government activities and functions performed for the Town are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependence.

TOWN OF NORTH ELBA, NEW YORK
Notes to Fund Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(a) Financial Reporting Entity, Continued

Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to influence operations significantly, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Town and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Town and is generally available to its citizens. A third criterion used in evaluating potential component units is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities.

Based on the application of these criteria, the Town has no components to be included in its reporting entity.

(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for on the modified accrual basis using a current financial resources focus. With this measurement focus, generally, only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increase (i.e. revenue and other financing sources) and decrease (i.e. expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, governmental fund revenue is recognized when susceptible to accrual (i.e. when they become both measurable and available). “Measurable” means the amount of the transaction can be reasonably determined, and “available” means the related cash resources are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers certain governmental revenue susceptible to accrual including, State and Federal aid, and certain other significant revenue. Fines and permits revenue are not susceptible to accrual, revenue from State and Federal Grants are accrued when the expenditure is made.

Governmental fund expenditures are recorded when the liability is incurred except that:

- Payments for inventory type items are recorded as expenditures when the related amounts are due and payable.
- Payments of principal and interest on indebtedness are recorded as expenditures when the related debt service amounts are due and payable, which normally approximates the date the debt is paid.
- Compensated absences, such as vacation leave and compensatory time, which vest or accumulate with eligible employees, are recorded as expenditures in the payroll period that the leave credits are paid.
- Pension costs are recognized as expenditures when paid to the State.
- Costs of acquiring capital assets are recorded as expenditures when due and payable.

TOWN OF NORTH ELBA, NEW YORK
Notes to Fund Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Fund Accounting and Funds Included in These Financial Statements

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The activities of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations. The Town's fund types are as follows:

- Governmental Funds - The governmental funds are the funds 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 Town's governmental fund types are as follows:
 - General Fund - is the principal operating fund of the Town. This fund is used to account for all financial resources except those required to be accounted for in other funds. This fund operates within the financial limits of an annual budget adopted by the Town Board.
 - Special Revenue Funds - are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Since the Town of North Elba, New York includes the incorporated Village of Lake Placid and a portion of the incorporated Village of Saranac Lake, certain funds are required by the prescribed accounting principles identified above to account for revenue generated to finance activities provided outside the villages. Special Revenue Funds of the Town include the following:
 - Highway Fund - Townwide - is used to account for revenue and expenditures for repairs and improvements to bridges. This fund operates within the financial limits of an annual budget adopted by the Town Board.
 - Highway Fund - Outside Village - is used to account for revenue and expenditures for highway purposes provided to the area of the Town located outside of incorporated Villages. This includes expenditures for acquisition and repairs to highway machinery, snow removal, and repairs and improvements to town roads located outside the incorporated villages. This fund operates within the financial limits of an annual budget adopted by the Town Board.
 - Sewer Fund - is used to account for revenue generated to finance operations, including debt service, of sewer districts. The Town has one sewer district.
 - Water Fund - is used to account for revenue generated to finance operations, including debt service, of the Town's water districts. The Town has three water districts and has elected not to account for water operations as a business-type activity in an enterprise fund.

TOWN OF NORTH ELBA, NEW YORK
Notes to Fund Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Fund Accounting and Funds Included in These Financial Statements, Continued

- Fire Protection District Fund - is used to account for revenue generated to finance fire protection and prevention operations, including debt service, of the Town's fire protection districts. The Town has three fire protection districts.
- Park District Fund - is used to account for revenue generated to finance recreation activities, such as the Craig Wood Golf Course, operations of the Lake Placid Airport, the Town's funding of the Olympic Regional Development Authority, and other recreation activities.
- Road District Fund (Special Miscellaneous) - is used to account for revenue generated to finance the paving of a private road dedicated to the Town.
- Capital Projects Fund - is used to account for financial resources to be used for the acquisition or construction of major capital assets for governmental activities.
- Fiduciary Funds - are used to account for assets held by the Town in a trustee or custodial capacity. Fiduciary funds may consist of pension trust funds, private purpose trust funds, investment trust funds and agency funds. Currently, the Town reports only agency funds and one private purpose trust fund as follows:
 - Agency Funds - is used to account for money (and/or property) received and held in the capacity of trustee, custodian or agent pending payment to the proper agencies or organizations.
 - Private Purpose Trust Fund - is used to account for monies received from the Jewish Community Center of Saranac Lake, Inc., pursuant to certain trust agreements, to be invested in eligible investments, with the income generated from such investments to be used for the perpetual care and maintenance of lots in the Hebrew Memorial Cemetery.

(d) Budget Basis of Accounting

The budget is developed on the basis of principles generally consistent with the statutory basis of accounting utilized by the Town. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

(e) Cash and Equivalents

Cash and equivalents include amounts in demand deposits as well as short-term investments with maturity date within three months of the date acquired by the Town except for the cash equivalents in the investment accounts.

All deposits shall be fully secured by insurance of the FDIC or by obligations of New York State, obligations of federal agencies, the principal and interest of which is guaranteed by the United States, or obligations of New York State local governments.

TOWN OF NORTH ELBA, NEW YORK
Notes to Fund Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(f) Capital Assets

The Town has not adopted the requirements of GASB Statement No. 34, which requires depreciation of capital assets. Nor has it capitalized its infrastructure (roads, bridges, sidewalks, and similar items).

Accounting principles under the statutory basis require that all purchased capital assets be valued at cost where historical records are available or at estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Depreciation of capital assets is not required.

(g) Budgetary Procedures and Budgetary Accounting

(a) General

The Town's Budget Policy is as follows:

- (1) No later than October 5 the budget officer submits a tentative budget to the Town Clerk for the year commencing the following January 1 for presentation to the Town Board. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- (2) After public hearings are conducted, but no later than November 20, the Town Board adopts the budgets for the general and special revenue funds.
- (3) All budget modifications must be approved by the Board.

Appropriations established by adoption of the budget constitute limitations on expenditures (and encumbrances) which may be incurred. The New York Uniform System of Accounts requires that fixed budgetary control be used for all governmental fund types. Budget appropriations lapse at year-end.

(b) Encumbrances

Encumbrances accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is employed as a control in preventing over expenditure of established appropriations. Open encumbrances are reported as a reservation of fund balance and such commitments will be honored through budget appropriations in the subsequent year. Encumbrances do not constitute expenditures or liabilities.

(h) Fund Balances and Reserves

In fiscal 2011, the Town implemented Governmental Accounting Standards Board Statement No. 54 - "Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). GASB 54 changed the classification of fund balance to focus on the constraints imposed on resources in governmental funds instead of the previous focus on availability for appropriation. GASB 54 reporting is required by the financial reporting requirements of the Office of the State Comptroller of the State of New York.

Fund balance is now broken down into five different classifications: non-spendable, restricted, committed, assigned, and unassigned.

TOWN OF NORTH ELBA, NEW YORK
Notes to Fund Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Budgetary Procedures and Budgetary Accounting, Continued

Nonspendable consists of assets that are inherently non-spendable 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 principal of endowments.

Restricted consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The Town Board is the decision-making authority that can, by resolution prior to the end of the fiscal year, commit fund balance.

Assigned consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. The Town Board, by appointment in organizational minutes has authorized the Budget Officer to assign fund balance.

Unassigned represents the residual classification for the government's general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

(i) Estimates

In preparing the statutory basis financial statements in conformity with the accounting principles described above, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of liabilities at the date of the statutory basis financial statements, and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

(2) Cash and Investments

State statutes govern the Town's investment policies. In addition, the Town has its own written investment policy. Town monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the U.S. treasury and U.S. agencies, repurchase agreements, and obligations of New York State or its localities.

TOWN OF NORTH ELBA, NEW YORK
Notes to Fund Financial Statements, Continued

(2) Cash and Investments, Continued

Collateral is required for demand deposits and certificates of deposit at 105% of all deposits not covered by FDIC. 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.

Deposits and investments at year-end were entirely covered by FDIC or by collateral held by the Town custodial banks.

(3) Property, Plant and Equipment - General

Fixed assets purchased for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost or estimated historical costs in the Non-Current Governmental Assets supplemental schedule. Contributed fixed assets are recorded at fair market value at the date received.

Fixed assets consisting of certain infrastructure type improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the Town of North Elba. Therefore, the purposes of stewardship for capital expenditures can be satisfied without recording these assets.

	Balance at December 31, <u>2011</u>	2012 <u>Additions</u>	2012 <u>Deletions</u>	Balance at December 31, <u>2012</u>
Land	\$ 848,939	-	-	848,939
Land improvements	100,000	-	-	100,000
Building improvements	21,161	-	-	21,161
Buildings	21,711,177	-	-	21,711,177
Machinery and equipment	<u>3,011,441</u>	<u>30,078</u>	<u>-</u>	<u>3,041,519</u>
Total	\$ <u>25,692,718</u>	<u>30,078</u>	<u>-</u>	<u>25,722,796</u>

(4) Property Taxes

Town real property taxes are levied annually no later than January 1 and become a lien on January 1. Taxes are collected by the Town's Tax Collecting Officer during the period January 1st to April 30th as specified in the annual tax warrant issued by the County of Essex. On or before the time of settlement with the County during April of each year, the Town receives the total amount of taxes levied for each particular fund and special district. After the expiration of the warrant period, unpaid tax accounts are returned to the County of Essex, New York, and the County assumes all subsequent enforcement responsibility.

TOWN OF NORTH ELBA, NEW YORK
Notes to Fund Financial Statements, Continued

(5) Bond Anticipation Notes

Liabilities for bond anticipation notes (BANs) are generally accounted for in the capital project funds. The notes or renewal thereof may not exceed more than five years beyond the original date of issue unless a portion is redeemed within each 12-month period thereafter.

State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after original issue date. However, BANs issued for assessable improvement projects may be renewed for a period equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

BANs outstanding at December 31, 2012 are as follows:

	<u>Issued Date</u>	<u>Interest Rate</u>	<u>Amount</u>
Construction of six athletic fields	7/20/12	2.37%	\$ 30,000

(6) Long term Indebtedness

The changes in the Town's long term indebtedness during the year ended December 31, 2012 is summarized as follows:

	<u>Balance at December 31, 2011</u>	<u>Financing Proceeds/ Additions</u>	<u>Principal Payments/ Deletion</u>	<u>Balance at December 31, 2012</u>
Long-term debt:				
Serial bond	\$ 1,889,415	39,000	293,162	1,635,253
Compensating absences	<u>392,467</u>	<u>42,261</u>	<u>8,660</u>	<u>426,068</u>
Total long-term debt	<u>\$ 2,281,882</u>	<u>81,261</u>	<u>301,822</u>	<u>2,061,321</u>

Serial Bonds - The Town of North Elba borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are recorded in the non-current governmental liabilities schedule. 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 liabilities.

TOWN OF NORTH ELBA, NEW YORK
Notes to Fund Financial Statements, Continued

(6) Long term Indebtedness, Continued

	<u>Principal</u>	<u>Interest</u>
2013	\$ 282,062	55,396
2014	182,062	46,546
2015	162,062	40,487
2016	162,062	35,419
2017	96,062	30,343
2018-2022	443,761	101,705
2023-2027	270,292	27,143
2028-2032	<u>36,890</u>	<u>1,037</u>
	<u>\$ 1,635,253</u>	<u>338,076</u>

Other Long-Term Liabilities - In addition to the above long-term debt the local government had the following non-current liabilities:

- 1) Compensated Absences - represents the value of earned and unused portions of the liability for compensated absences.

(7) Pension Plans

The Town participates in the New York State & Local Employees Retirement System (ERS), the New York State. This is a cost-sharing multiple employer retirement systems. The systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the State 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. The System's financial report may be obtained by writing to the New York State & Local Retirement System, 110 State Street, Albany, New York 12244.

Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% of their salary for the first ten years of membership and employees who joined on or after January 1, 2010 who generally contribute 3% of their salary for the entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressed used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

The Town is required to contribute at an actuarially determined rate currently 15.8% ERS of the annual covered payroll for the fiscal year ended March 31, 2012. The required contributions for the current year and the two preceding years were:

TOWN OF NORTH ELBA, NEW YORK
Notes to Fund Financial Statements, Continued

(7) Pension Plans, Continued

	<u>ERS</u>
2012	\$ 224,907
2011	223,797
2010	134,226

(8) Compensated Absences

Employees accrue vacation leave as follows:

Employees employed prior to January 1, 1994 accrue 20 days of vacation each year. Non union employees employed after January 1 1994 accrue 5 days after 1 full year of service, 10 days after 2 full years of service, 12 days after 8 full years of service, 15 days after 10 full years of service, 18 days after 15 full years of service, and 20 days after 20 full years of service. Union employees employed after January 1, 1994 accrue 40 hours after 1 year of service, 80 hours after 2 years of service, 96 hours after 8 years of service, 120 hours after 10 years of service, 152 hours after 15 years of service, and 160 hours after 20 years of service. Employees are entitled to accumulate up to thirty (30) days of vacation.

Employees accrue sick leave at the rate of 18 days per year and may accumulate such credits up to a total of 185 days. Employees who retire from Town service can elect to be compensated at 100% for 20 days; the remaining accumulated sick days may be added to credited service and used in the benefit calculation by the New York State and Local Employees' Retirement System.

Vested vacation and sick leave is recorded for the governmental funds as long-term liability in the non-current governmental liabilities supplemental schedule if payable from future financial resources, or as a fund liability and expenditure, if payable from current resources. The liability for compensated absences for the years ended December 31, 2012 and December 31, 2011 was \$426,068 and \$392,467, respectively, and is reported in the non-current governmental liabilities schedule.

(9) Postemployment Benefits

In addition to providing pension benefits, the Town of North Elba provides health insurance coverage for retired employees. Substantially all of the Town of North Elba's employees may become eligible for these benefits if they reach normal retirement age while working for the Town of North Elba. Health care benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Town of North Elba recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. In 2012, \$79,078 was paid on behalf of 14 retirees as compared to \$82,687 was paid on behalf of 16 retirees in 2011. Postemployment benefits are recorded as expenditures in the general fund.

TOWN OF NORTH ELBA, NEW YORK
Notes to Fund Financial Statements, Continued

(10) Landfill Closure and Post Closure Care Costs

State and federal laws and regulations require the Town of North Elba to perform certain maintenance and monitoring function at the Town of North Elba Landfill after closure plan acceptance in 1990. During 2012 and 2011, the Town of North Elba paid \$4,978 for the annual post closure monitoring event.

The Town currently operates a transfer station and contracts with Essex County for the transportation of waste. Expenditures for the operation of the transfer station are accounted for in the general fund.

(11) Interfund Receivables, Payables and Transfers

	<u>Receivables</u>	<u>Payables</u>
General	\$ 14,186	-
Park District	665	-
Capital Projects	-	13,828
Trust and Agency	<u>-</u>	<u>1,023</u>
	\$ <u>14,851</u>	<u>14,851</u>
	<u>Transfers In</u>	<u>Transfers out</u>
General	\$ -	310,402
Cash	-	90,998
Capital Projects	<u>401,400</u>	<u>-</u>
	\$ <u>401,400</u>	<u>401,400</u>

(12) Commitments and Contingencies

The Town of North Elba currently has three grants via the New York State Department of Transportation, for the planning and construction of a multi-use trail extending from the Village of Lake Placid to the Village of Saranac Lake. The total of the committed federal funding for the project is \$3,443,517. The Town's required match for the three grants totals \$987,138. The Town is working with a private agency to raise the \$987,000 through fundraising in the local communities.

In December 2012, the Town was notified of an award of matching grant in the amount of \$440,000 from the Municipal Grant program from the New York State Office of Parks, Recreation and Historic Preservation. The funding is for the Lacrosse Field of Dreams project.

In October 2012, the Town approved a modification to Article 37 of the Union Contract which revised the grade structure for union employees effective July 1, 2012. A performance appraisal requirement was also included in the modification of Article 37. Retroactive pay was issued to all union employees to a rate increase.

TOWN OF NORTH ELBA, NEW YORK
Notes to Fund Financial Statements, Continued

(13) Subsequent Events

In January 2013, the Town was notified of an award of \$23,300 for Comprehensive Plan Preparation. The grant was awarded through the Local Waterfront Revitalization Program of the Department of State under Title 11 of the Environmental Protection Fund. The purpose of this grant is Comprehensive Plan Preparation.

(14) Restatements

Fund balance at the beginning of the year was restated in order to correct an understatement of prepaid pension obligations and to reverse an expenditure in 2012 that was subsequently charged to an employee. Fund balance was increased (decreased) in the funds as follows:

General - Townwide	\$ <u>(3,484)</u>
Park District	\$ <u>28</u>

TOWN OF NORTH ELBA, NEW YORK
Statement of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) <u>Final to Actual</u>
Revenue:				
Real property taxes	\$1,052,259	1,052,259	1,052,259	-
Other real property tax items	28,000	28,000	23,265	(4,735)
Departmental income	720,100	720,100	726,837	6,737
Intergovernmental charges	35,548	35,548	35,548	-
Use of money and property	93,330	93,330	96,580	3,250
Licenses and permits	33,000	33,000	136,635	103,635
Fines and forfeitures	45,250	45,250	61,333	16,083
Sale of property and compensation for loss	324,000	324,000	319,428	(4,572)
Miscellaneous local sources	-	-	5,048	5,048
Interfund revenues	136,000	136,000	108,249	(27,751)
State aid	190,000	191,465	174,828	(16,637)
Total revenue	<u>2,657,487</u>	<u>2,658,952</u>	<u>2,740,010</u>	<u>81,058</u>
Expenditures:				
General government support	724,208	752,932	678,353	74,579
Public safety	69,380	70,033	18,504	51,529
Health	95,245	95,245	78,047	17,198
Transportation	581,609	582,899	544,007	38,892
Economic assistance and development	44,655	48,708	48,708	-
Culture and recreation	5,675	5,675	5,675	-
Home and community services	713,654	745,108	714,572	30,536
Employee benefits	614,663	577,261	552,054	25,207
Debt service	108,400	108,400	108,400	-
Total expenditures	<u>2,957,489</u>	<u>2,986,261</u>	<u>2,748,320</u>	<u>237,941</u>
Other sources- operating transfers	-	310,402	310,402	-
Total expenditures and other sources	<u>2,957,489</u>	<u>3,296,663</u>	<u>3,058,722</u>	<u>237,941</u>
Net change in fund balance	(300,002)	(637,711)	(318,712)	318,999
Fund balance at beginning of year	2,002,753	2,002,753	2,002,753	-
Restatement	(3,484)	(3,484)	(3,484)	-
Fund balance at beginning of year, restated	<u>1,999,269</u>	<u>1,999,269</u>	<u>1,999,269</u>	<u>-</u>
Fund balance at end of year	<u>\$1,699,267</u>	<u>1,361,558</u>	<u>1,680,557</u>	<u>318,999</u>

TOWN OF NORTH ELBA, NEW YORK
Statement of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual
Highway - Outside Village
Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) <u>Final to Actual</u>
Revenue:				
Real property taxes	\$ 347,667	347,667	347,667	-
Other real property tax items	255,000	255,000	295,041	40,041
Departmental income	-	-	603	603
Intergovernmental charges	85,000	85,000	87,561	2,561
Use of money and property	24,500	24,500	31,212	6,712
Sale of property and compensation for loss	-	13,667	13,746	79
State aid	-	64,282	84,527	20,245
Total revenue	<u>712,167</u>	<u>790,116</u>	<u>860,357</u>	<u>70,241</u>
Expenditures:				
Transportation	538,648	661,258	649,853	11,405
Employee benefits	144,153	139,792	139,792	-
Debt service	45,500	45,500	45,500	-
Total expenditures	<u>728,301</u>	<u>846,550</u>	<u>835,145</u>	<u>11,405</u>
Net change in fund balance	(16,134)	(56,434)	25,212	81,646
Fund balance at beginning of year	<u>596,450</u>	<u>596,450</u>	<u>596,450</u>	<u>-</u>
Fund balance at end of year	<u>\$ 580,316</u>	<u>540,016</u>	<u>621,662</u>	<u>81,646</u>

TOWN OF NORTH ELBA, NEW YORK
Statement of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual
Fire Protection District
Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) <u>Final to Actual</u>
Revenue:				
Real property taxes	\$ 675,730	675,730	675,730	-
Use of money and property	-	-	530	530
Miscellaneous local sources	<u>6,744</u>	<u>6,744</u>	<u>6,746</u>	<u>2</u>
Total revenue	<u>682,474</u>	<u>682,474</u>	<u>683,006</u>	<u>532</u>
Expenditures - public safety	<u>707,599</u>	<u>707,599</u>	<u>689,372</u>	<u>18,227</u>
Net change in fund balance	(25,125)	(25,125)	(6,366)	18,759
Fund balance at beginning of year	<u>90,733</u>	<u>90,733</u>	<u>90,733</u>	<u>-</u>
Fund balance at end of year	<u>\$ 65,608</u>	<u>65,608</u>	<u>84,367</u>	<u>18,759</u>

TOWN OF NORTH ELBA, NEW YORK
Statement of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual
Road District
Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) <u>Final to Actual</u>
Revenue:				
Real property taxes	\$ 5,339	5,339	5,339	-
Use of money and property	-	-	58	58
Total revenue	<u>5,339</u>	<u>5,339</u>	<u>5,397</u>	<u>58</u>
Expenditures:				
Transportation	-	33,711	33,712	(1)
Debt service	<u>5,339</u>	<u>5,339</u>	<u>5,359</u>	<u>(20)</u>
Total expenditures	<u>5,339</u>	<u>39,050</u>	<u>39,071</u>	<u>(21)</u>
Other financing sources - proceeds from the issuance of long-term debt	-	<u>1,800</u>	<u>39,000</u>	<u>37,200</u>
Net change in fund balance	-	(31,911)	5,326	37,237
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>(31,911)</u>	<u>5,326</u>	<u>37,237</u>

TOWN OF NORTH ELBA, NEW YORK
Statement of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual
Park District
Year Ended December 31, 2012

	<u>Budgeted Amounts</u>			Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final to Actual</u>
Revenue:				
Real property taxes	\$1,701,725	1,701,725	1,701,725	-
Departmental income	378,250	382,954	387,291	4,337
Use of money and property	57,752	57,752	54,370	(3,382)
Miscellaneous local sources	31,050	31,050	40,395	9,345
State aid	150,900	900	605	(295)
Total revenue	<u>2,319,677</u>	<u>2,174,381</u>	<u>2,184,386</u>	<u>10,005</u>
Expenditures:				
Culture and recreation	1,738,970	1,737,608	1,710,102	27,506
Employee benefits	279,246	276,739	276,739	-
Debt service	171,736	173,473	173,469	4
Total expenditures	<u>2,189,952</u>	<u>2,187,820</u>	<u>2,160,310</u>	<u>27,510</u>
Other sources- operating transfers	<u>165,000</u>	<u>90,998</u>	<u>90,998</u>	<u>-</u>
Total expenditures and other sources	<u>2,354,952</u>	<u>2,278,818</u>	<u>2,251,308</u>	<u>27,510</u>
Net change in fund balance	(35,275)	(104,437)	(66,922)	37,515
Fund balance at beginning of year	<u>115,948</u>	<u>115,948</u>	<u>115,948</u>	<u>-</u>
Fund balance at end of year	<u>\$ 80,673</u>	<u>11,511</u>	<u>49,026</u>	<u>37,515</u>

TOWN OF NORTH ELBA, NEW YORK
Statement of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual
Sewer District
Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) <u>Final to Actual</u>
Revenue:				
Real property taxes	\$ 19,045	19,045	19,037	(8)
Departmental income	14,253	14,253	14,253	-
Use of money and property	<u>-</u>	<u>-</u>	<u>66</u>	<u>66</u>
Total revenue	<u>33,298</u>	<u>33,298</u>	<u>33,356</u>	<u>58</u>
Expenditures - debt service	<u>33,298</u>	<u>33,298</u>	<u>31,826</u>	<u>1,472</u>
Net change in fund balance	-	-	1,530	1,530
Fund balance at beginning of year	<u>23,359</u>	<u>23,359</u>	<u>23,359</u>	<u>-</u>
Fund balance at end of year	<u>\$ 23,359</u>	<u>23,359</u>	<u>24,889</u>	<u>1,530</u>

TOWN OF NORTH ELBA, NEW YORK
Statement of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual
Water District
Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) <u>Final to Actual</u>
Revenue:				
Real property taxes	\$ 26,280	26,280	26,279	(1)
Departmental income	42,000	42,857	42,857	-
Use of money and property	-	202	254	52
Total revenue	<u>68,280</u>	<u>69,339</u>	<u>69,390</u>	<u>51</u>
Expenditures:				
General government support	-	29,664	29,664	-
Home and community services	42,531	43,591	43,504	87
Debt service	25,749	25,749	25,749	-
Total expenditures	<u>68,280</u>	<u>99,004</u>	<u>98,917</u>	<u>87</u>
Net change in fund balance	-	(29,665)	(29,527)	138
Fund balance at beginning of year	<u>123,130</u>	<u>123,130</u>	<u>123,130</u>	<u>-</u>
Fund balance at end of year	<u>\$ 123,130</u>	<u>93,465</u>	<u>93,603</u>	<u>138</u>

INDEPENDENT AUDITORS' 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

Supervisor and Town Board
Town of North Elba, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the fund financial statements of the Town of North Elba (the Town), as of and for the year ended December 31, 2012, and the related notes to the fund financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the fund financial statements, we considered the Town'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 fund financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 Town's fund 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 not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Williamsville, New York
October 30, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Town Supervisor and Members
of the Town Board
Town of North Elba, New York:

Report on Compliance for Each Major Federal Program

We have audited the Town of North Elba, New York's (the Town) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Town's major federal programs for the year ended December 31, 2012. The Town's major federal programs are identified in the summary of auditors' 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 Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town'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 Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town 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 program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the Town 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 Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town'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.

Williamsville, New York
October 30, 2013

TOWN OF NORTH ELBA, NEW YORK
Schedule of Expenditures of Federal Awards
December 31, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation - Federal Aviation Administration - Airport Improvement Program:			
Runway Rehab PH I Design	20.106	N/A	\$ 8,265
Runway Rehab PH II Construction	20.106	N/A	746,425
Airport Master Plan	20.106	N/A	51,703
Apron Expansion (Design)	20.106	N/A	<u>102,622</u>
Total U.S. Department of Transportation			909,015
U.S. Department of Homeland Security - passed through New York State Emergency Management Office Public Assistance Grants - Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
	97.036	031-52935-00	<u>42,094</u>
Total Expenditures of Federal Awards			<u>\$ 951,109</u>

See accompanying notes to schedule of expenditures of federal awards.

TOWN OF NORTH ELBA, NEW YORK
Notes to Schedule of Expenditures of Federal Awards
December 31, 2012

(1) Basis of Presentation

The accompanying schedule of expenditures of Federal awards presents the activity of all Federal awards programs administered by the Town of North Elba, New York (the Town), an entity as defined in note 1 to the Town's 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.

(2) Basis of Accounting

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

The amounts reported as Federal expenditures generally were obtained from the appropriate Federal financial reports for the respective program and periods. The amounts reported in these Federal financial reports are prepared from records maintained for each program. These records are periodically reconciled to the general ledger which is the source of the financial statements.

(3) Indirect Costs

Indirect costs are included in the reported expenditures to the extent that such costs are included in the Federal financial reports used as the source for the data presented.

(4) Matching Costs

The Town's share of certain program costs are not included in the reported expenditures.

(5) Presidentially Declared Disasters

The Town has incurred \$42,094 in disaster recovery expenses due to several floods. Reimbursements of these costs are pending the approval of the Federal Emergency Management Agency (FEMA). The expenses will be reported, under the Disaster Grants - Public Assistance (Presidentially Declared Disaster) program (CFDA No. 97.036), in the fiscal year FEMA grants final approval.

TOWN OF NORTH ELBA, NEW YORK
 Schedule of Findings and Questioned Costs
 Year ended December 31, 2012

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
1. Material weakness(es) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
2. Significant deficiency(ies) identified not considered to be material weakness(es)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported
3. Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Federal Awards:

Internal control over major programs:	
4. Material weakness(es) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
5. Significant deficiency(ies) identified not considered to be material weakness(es)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported

Type of auditors' report issued on compliance for major programs:	Unmodified
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6. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
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7. The Town's major program audited was:

<u>Name of Federal Program</u>	CFDA Number
Airport Improvement Program	20.106

8. Dollar threshold used to distinguish between Type A and Type B programs?	\$ 300,000
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9. Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
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Part II - FINANCIAL STATEMENT FINDINGS SECTION

No reportable findings.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No reportable findings and questioned costs.

TOWN OF NORTH ELBA, NEW YORK

Status of Prior Audit Findings

Year ended December 31, 2012

There were no findings with regard to the prior year financial statements (December 31, 2011).