

**VILLAGE OF NEWARK VALLEY  
WATER FUND**

**Newark Valley, New York**

**FINANCIAL REPORT**

**For the Year Ended  
February 29, 2020**



# VILLAGE OF NEWARK VALLEY WATER FUND

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## **INDEPENDENT AUDITORS' REPORT**

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

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

We have audited the accompanying financial statements of the Water Fund of the Village of Newark Valley (the Village), which comprise the Balance Sheet - Water Fund for the year ended February 29, 2020, the related Statement of Revenues, Expenditures, and Changes in Fund Balances - Water Fund for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water Fund of the Village of Newark Valley, as of February 29, 2020, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of a Matter***

As discussed in Note 1, the financial statements present only the Water Fund and do not purport to, and do not, present fairly the financial position of the Village of Newark Valley as of February 29, 2020, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 3-3b and 15-16 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Respectfully submitted,



Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
September 30, 2020

# ***VILLAGE OF NEWARK VALLEY WATER FUND***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FEBRUARY 29, 2020**

The following is a discussion and analysis of the Village of Newark Valley Water Fund's (the Water Fund) financial performance for the fiscal year ended February 29, 2020. The Water Fund is a major special revenue fund of the Village of Newark Valley and provides water services to the Village. This section is a summary of the Water Fund's financial activities based on currently known facts, decisions, or conditions. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the Water Fund's financial statements, which immediately follow this section.

### **FINANCIAL HIGHLIGHTS**

Fund balance of \$628,770 increased by \$14,805 in 2020 from \$613,965 in 2019. The original 2020 budget had provided for a decrease of \$17,086.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts: MD&A (this section) and the financial statements of the Water Fund.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

### **Balance Sheet - Water Fund and Statement of Revenues, Expenditures, and Changes in Fund Balance - Water Fund**

The Water Fund's financial statements include the Balance Sheet - Water Fund and Statement of Revenues, Expenditures, and Changes in Fund Balances - Water Fund and are reported 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 state and federal aid. Revenues deemed collectible within one year after year end are recognized as revenues in the current year. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

Expenditures are recorded when incurred. The cost of capital assets is recognized as an expenditure when received. Exceptions to this general rule are that 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 vest or accumulate, are charged as an expenditure when paid.

# VILLAGE OF NEWARK VALLEY WATER FUND

## MANAGEMENT'S DISCUSSION AND ANALYSIS FEBRUARY 29, 2020

### FINANCIAL ANALYSIS

The Water Fund's fund balance for the fiscal years ended February 29, 2020 and 2019 increased by \$14,805 and \$22,481, respectively. Our analysis below focuses on the fund balance (*Figure 1*) and changes in fund balance (*Figure 2*) of the Water Fund.

*Figure 1*

<i>Balance Sheet</i>	<i>2019</i>	<i>2020</i>	<i>Total Dollar Change 2019 - 2020</i>
<i>Cash and Cash Equivalents</i>	\$ 44,240	\$ 54,078	\$ 9,838
<i>Other Receivables, Net</i>	86,056	88,965	2,909
<i>Cash and Cash Equivalents - Restricted</i>	486,763	487,855	1,092
<b><i>Total Assets</i></b>	<b>617,059</b>	<b>630,898</b>	<b>13,839</b>
<i>Accounts Payable</i>	3,094	2,128	(966)
<b><i>Total Liabilities</i></b>	<b>3,094</b>	<b>2,128</b>	<b>(966)</b>
<i>Restricted</i>	486,763	487,855	1,092
<i>Assigned, Appropriated</i>	29,586	43,391	13,805
<i>Assigned, Unappropriated</i>	97,616	97,524	(92)
<b><i>Total Fund Balances</i></b>	<b>\$ 613,965</b>	<b>\$ 628,770</b>	<b>\$ 14,805</b>

Our analysis in *Figure 2* considers the operations of the Water Fund.

*Figure 2*

<i>Changes in Fund Balance</i>	<i>2019</i>	<i>2020</i>	<i>Total Dollar Change 2019 - 2020</i>
<b>REVENUES</b>			
<i>Departmental Income</i>	\$ 252,702	\$ 243,992	\$ (8,710)
<i>Use of Money and Property</i>	544	4,724	4,180
<i>Miscellaneous Local Sources</i>	295	269	(26)
<i>Interfund Transfers In</i>		26,374	26,374
<b><i>Total Revenues and Other Financing Sources</i></b>	<b>253,541</b>	<b>275,359</b>	<b>21,818</b>
<b>EXPENDITURES</b>			
<i>General Governmental Support</i>	2,213	2,271	58
<i>Home and Community Services</i>	100,996	111,760	10,764
<i>Employee Benefits</i>	30,126	27,566	(2,560)
<i>Debt Service</i>	97,725	77,622	(20,103)
<i>Interfund Transfers Out</i>		41,335	41,335
<b><i>Total Expenditures and Other Financing Sources</i></b>	<b>231,060</b>	<b>260,554</b>	<b>29,494</b>
<b>CHANGE IN FUND BALANCE</b>	<b>\$ 22,481</b>	<b>\$ 14,805</b>	<b>\$ (7,676)</b>

# VILLAGE OF NEWARK VALLEY WATER FUND

## MANAGEMENT'S DISCUSSION AND ANALYSIS FEBRUARY 29, 2020

Unrestricted cash balances increased due to the timing of payments. In addition, restricted cash and restricted fund balance showed increases based on increases in board approved capital and debt service reserve transfers. The increase in assigned, appropriated fund balance is due to the amount budgeted to support next year's operations.

Revenue increased by 8.6% from the prior year and was 9.4% more than budgeted, while expenditures increased \$29,494 or 12.8% more than 2019; and were 3.0% less than budgeted.

### WATER FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Village Board and management of the Village may revise the Water Fund budget. These budget amendments typically consist of transfers between functions and encumbrances from the prior fiscal year. The Village did not budget for interfund transfers in and interfund transfers out.

*Figure 3*

<i>Condensed Budgetary Comparison Water Fund - 2020</i>	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actual w/ Encumbrances</i>	<i>Favorable (Unfavorable) Variance</i>
<b>REVENUES</b>				
<i>Departmental Income</i>	\$ 251,272	\$ 251,272	\$ 243,992	\$ (7,280)
<i>Use of Money and Property</i>	30	30	4,724	4,694
<i>Miscellaneous Local Sources</i>	328	328	269	(59)
<i>Interfund Transfers In</i>			26,374	26,374
<b>Total Revenues and Other Financing Sources</b>	<b>\$ 251,630</b>	<b>\$ 251,630</b>	<b>\$ 275,359</b>	<b>\$ 23,729</b>
<b>Appropriated Fund Balance</b>	<b>\$ 17,086</b>	<b>\$ 17,086</b>		
<b>EXPENDITURES</b>				
<i>General Governmental Support</i>	\$ 2,258	\$ 2,272	\$ 2,271	\$ 1
<i>Home and Community Services</i>	157,020	156,973	111,760	45,213
<i>Employee Benefits</i>	31,556	31,589	27,566	4,023
<i>Debt Service</i>	77,882	77,882	77,622	260
<i>Interfund Transfers Out</i>			41,335	(41,335)
<b>Total Expenditures</b>	<b>\$ 268,716</b>	<b>\$ 268,716</b>	<b>\$ 260,554</b>	<b>\$ 8,162</b>

### FACTORS BEARING ON THE FUND'S FUTURE

The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the area in which the Village exists. While it is unknown how long these conditions will last and what the complete financial effect will be, the Village expects disruptions to business and residents, which could negatively impact operating results in future periods

### CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

If you have questions about this report or need additional financial information, contact the Village's Clerk/Treasurer, Clerk's Office, 9 Park Street, P.O. Box 398, Newark Valley, New York 13811.

# VILLAGE OF NEWARK VALLEY WATER FUND

## BALANCE SHEET WATER FUND FEBRUARY 29, 2020

### ASSETS

Cash and Cash Equivalents - Unrestricted	\$ 54,078
Other Receivables, Net	88,965
Cash and Cash Equivalents - Restricted	<u>487,855</u>
<b>Total Assets</b>	<b><u>\$ 630,898</u></b>

### LIABILITIES AND FUND BALANCES

#### Liabilities

Accounts Payable	<u>\$ 2,128</u>
<b>Total Liabilities</b>	<u>2,128</u>

#### Fund Balances

##### Restricted for:

Capital	396,953
Debt	<u>90,902</u>
<b>Total Restricted Fund Balance</b>	<u>487,855</u>

##### Assigned for:

Next Year's Budget	30,391
Multi-Year Planning	13,000
Remaining Fund Balance	<u>97,524</u>
<b>Total Assigned Fund Balance</b>	<u>140,915</u>

<b>Total Fund Balances</b>	<u>628,770</u>
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<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 630,898</u></b>
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*See Notes to Financial Statements*



# VILLAGE OF NEWARK VALLEY WATER FUND

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - WATER FUND FOR THE YEAR ENDED FEBRUARY 29, 2020

### REVENUES

Departmental Income	\$ 243,992
Use of Money and Property	4,724
Miscellaneous Local Sources	<u>269</u>
<b>Total Revenues</b>	<u>248,985</u>

### EXPENDITURES

Current:	
General Governmental Support	2,271
Home and Community Services	111,760
Employee Benefits	27,566
Debt Service:	
Principal	46,000
Interest	<u>31,622</u>
<b>Total Expenditures</b>	<u>219,219</u>

Excess of Revenues (Expenditures) 29,766

### OTHER FINANCING SOURCES (USES)

Interfund Transfers In	<u>26,374</u>
Interfund Transfers (Out)	<u>(41,335)</u>
Total Other Financing Sources	<u>(14,961)</u>

Excess of Revenues  
over (Expenditures) and Other Financing Sources 14,805

Fund Balance, Beginning of Year 613,965

**Fund Balance, End of Year** \$ 628,770

*See Notes to Financial Statements*

# **VILLAGE OF NEWARK VALLEY WATER FUND**

## **NOTES TO FINANCIAL STATEMENTS FEBRUARY 29, 2020**

### ***Note 1* Summary of Significant Accounting Policies**

The basic financial statements of the Water Fund of the Village of Newark Valley (Village) (Water Fund) have been prepared in conformity with generally accepted accounting principles (U.S. 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 Water Fund's accounting policies are described below.

#### **Financial Reporting Entity**

The Water Fund is a special revenue fund of the Village, which was incorporated in 1894, is governed by Village Law, other general municipal laws of New York State, 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 Water Fund accounts for revenues derived from charges for water consumption and the application of such revenues toward related operating expenses and debt retirement.

All Water Fund functions performed for the Village are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

Consideration was given to GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus."

The decision to include a potential component unit in the Water Fund's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no other entities included in the Water Fund of the Village of Newark Valley's reporting entity.

#### **Basic Financial Statements**

The financial transactions of the Water Fund are 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.

# **VILLAGE OF NEWARK VALLEY WATER FUND**

## **NOTES TO FINANCIAL STATEMENTS FEBRUARY 29, 2020**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **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.

The 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 yearend 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.

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 vest or accumulate, are charged as an expenditure when paid.

#### **Cash and Cash Equivalents**

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

#### **Receivables**

Other receivables represent amounts owed to the Village for water rents, including interest and penalties. Outstanding water rents are levied to taxes. No provision has been made for uncollectible accounts for amounts due from other governments, or other receivables, as it is believed that such amounts would be immaterial.

#### **Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation.

# VILLAGE OF NEWARK VALLEY WATER FUND

## NOTES TO FINANCIAL STATEMENTS FEBRUARY 29, 2020

### *Note 1* Summary of Significant Accounting Policies - Continued

#### **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:

	<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

As a governmental fund, the Water Fund does not report capital assets. However, the capital assets related to the Water System Improvement Project, a USDA Rural Development project, are disclosed in Note 4.

#### **Equity Classifications**

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

- Nonspendable - Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.
- Restricted - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally, or through constitutional provisions or enabling legislation. The Village Water Fund's legally adopted reserves are reported here.
- Committed - Consists of amounts subject to a purpose constraint imposed by formal action of the Village's highest level of decision-making authority, the Board of Trustees, prior to the end of the fiscal year, and requires the same level of formal action to remove said constraint.

# ***VILLAGE OF NEWARK VALLEY WATER FUND***

## **NOTES TO FINANCIAL STATEMENTS FEBRUARY 29, 2020**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Equity Classifications - Continued**

- Assigned - Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority or their designated body or official. In the Water Fund, assigned fund balance represents the residual amount of fund balance.

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

#### **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.

#### **Revenues**

Substantially all Governmental Fund revenues are accrued. In applying GASB Statement No. 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, except for time requirements, are met and reported as advances by the provider and unearned revenue by the recipient. Resources transmitted before time eligibility requirements are met and reported as deferred outflows of resources by the provider and deferred inflows of resources by the recipient.

#### **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.

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

# **VILLAGE OF NEWARK VALLEY WATER FUND**

## **NOTES TO FINANCIAL STATEMENTS FEBRUARY 29, 2020**

### **Note 2 Cash and Investments**

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

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

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

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. While the Village does not have a specific policy for custodial credit risk, New York State statutes govern the Village's investment policies, as discussed previously in these notes. GASB Statement No. 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 in all of its funds of \$1,200,526 are either insured or collateralized with securities held by the pledging financial institution in the Village's name.

Pooled Cash - During 2020, 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 carrying value of cash in the Water Fund at February 29, 2020 was \$541,933. Of this amount, \$396,953 was restricted for capital and repairs and \$90,902 was restricted for bonded debt.

### **Note 3 Other Receivables**

Other receivables in the Water Fund consisted of water rents and judgments of \$88,965 at February 29, 2020.

# VILLAGE OF NEWARK VALLEY WATER FUND

## NOTES TO FINANCIAL STATEMENTS FEBRUARY 29, 2020

**Note 4 Capital Assets**

A summary of changes in capital assets associated with the Water System Improvement Project at February 29, 2020 follows:

	<b>Balance at 02/28/2019</b>	<b>Additions</b>	<b>Balance at 02/29/2020</b>
Depreciable Capital Assets:			
Infrastructure	\$ 3,970,410	\$	\$ 3,970,410
Total Historical Cost	3,970,410	-	3,970,410
Less Accumulated Depreciation:			
Infrastructure	(624,320)	(79,408)	(703,728)
Total Accumulated Depreciation	(624,320)	(79,408)	(703,728)
 <b>Water System Improvement Project</b>			
<b>Capital Assets, Net</b>	<b>\$ 3,346,090</b>	<b>\$ (79,408)</b>	<b>\$ 3,266,682</b>

**Note 5 Pension Plans**

**Plan Description**

The Village participates in the New York State and Local Employees' Retirement System (ERS) (the System). 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 System.

The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of 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.

**Funding Policy**

Plan members who joined the System before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 and before January 1, 2010 with less than ten years of membership are required to contribute 3% of their annual salary. Those joining NYSERS on or after January 1, 2010 and before April 1, 2012 are required to contribute 3% of their annual salary for their entire working career. Those joining NYSERS on or after April 1, 2012 are required to contribute between 3% and 6%, dependent on salary, for their entire working career. Under the authority of the New York State Retirement and Social Security Law, 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 the employer to the Pension Accumulation Fund.

# VILLAGE OF NEWARK VALLEY WATER FUND

## NOTES TO FINANCIAL STATEMENTS FEBRUARY 29, 2020

**Note 5 Pension Plans - Continued**

**Funding Policy - Continued**

The Village is required to contribute at an actuarially determined rate. The Village's contributions made to the System were equal to 100% of the contributions required for each year. The required contributions for the entire Village for the current year and two preceding years were:

<u>Year</u>	<u>ERS</u>
2020	\$ 36,872
2019	38,216
2018	38,299

During the year, \$9,138 was expended from the Water Fund. As a governmental fund, the Water Fund does not report long-term liabilities. Therefore, the Village's proportionate share of the System's net pension liability, deferred outflows of resources, and deferred inflows of resources are not reported in the fund financial statements.

**Note 6 Serial Bonds**

The Village borrowed funds from USDA Rural Development as part of the financing of its Water System Improvement Project. This long-term liability, which is full faith and credit debt of the local government, is not recorded in the Water Fund, in accordance with the modified accrual basis of accounting. However, principal and interest on this debt are recorded in the Water Fund.

The provision to be made in future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liability.

As a governmental fund, the Water Fund does not report long-term debt. The following is a summary of the water system improvement bonds outstanding at February 29, 2020 with corresponding maturity schedules:

<u>Description of Issue</u>	<u>Original Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Date Final Maturity</u>	<u>Outstanding Balance</u>
Serial Bond	1/10/2013	\$ 2,159,000	1.88%	10/10/2048	<u>\$ 1,634,341</u>
<b>Total</b>					<b><u>\$ 1,634,341</u></b>



# VILLAGE OF NEWARK VALLEY WATER FUND

## NOTES TO FINANCIAL STATEMENTS FEBRUARY 29, 2020

**Note 6 Serial Bonds - Continued**

A summary of changes in bonds payable is as follows:

	<b>Balance March 1, 2019</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance February 29, 2020</b>
Serial Bond	\$ 1,680,341	\$ -	\$ (46,000)	\$ 1,634,341
<b>Total</b>	<b>\$ 1,680,341</b>	<b>\$ -</b>	<b>\$ (46,000)</b>	<b>\$ 1,634,341</b>

Interest paid on certain serial bonds varies from year to year, in accordance with the interest rates specified in the bond agreements. Interest paid during the year ending February 29, 2020 was \$31,622.

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

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 47,000	\$ 30,644	\$ 77,644
2022	48,000	29,763	77,763
2023	48,000	28,863	76,863
2024	49,000	27,963	76,963
2025	50,000	27,044	77,044
2026-2030	265,000	120,781	385,781
2031-2035	291,000	95,001	386,001
2036-2040	320,000	66,595	386,595
2041-2045	351,000	35,469	386,469
2046-2048	165,341	5,101	170,442
<b>Total</b>	<b>\$ 1,634,341</b>	<b>\$ 467,224</b>	<b>\$ 2,101,565</b>

**Note 7 Restricted Fund Balance**

Restricted fund balance includes restricted funds established for building and equipment purchases, and debt service. Changes in these restricted funds in the Water Fund for the year ended February 29, 2020 are as follows:

	<b>Balance at 02/28/2019</b>	<b>Transfers</b>	<b>Interest Allocated</b>	<b>Balance at 02/29/2020</b>
Restricted Funds:				
Capital Reserve	\$ 387,011	\$ 9,942	\$	\$ 396,953
Debt Reserve	99,752	(8,850)		90,902
<b>Total</b>	<b>\$ 486,763</b>	<b>\$ 1,092</b>	<b>\$ -</b>	<b>\$ 487,855</b>

# VILLAGE OF NEWARK VALLEY WATER FUND

## NOTES TO FINANCIAL STATEMENTS FEBRUARY 29, 2020

**Note 8 Assigned Fund Balance**

Assigned fund balance consisted of the following at February 29, 2020:

	<u>Balance at</u> <u>02/28/2019</u>	<u>Changes</u>	<u>Balance at</u> <u>02/29/2020</u>
Assigned Fund Balance:			
Appropriated for Subsequent Year's Budget	\$ 20,086	\$ 10,305	\$ 30,391
Multi-year Planning	9,500	3,500	13,000
Remaining Fund Balance	97,616	(92)	97,524
<b>Total</b>	<b><u>\$ 127,202</u></b>	<b><u>\$ 13,713</u></b>	<b><u>\$ 140,915</u></b>

**Note 9 Interfund Receivables, Payables, and Transfers**

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. At February 29, 2020, there were no interfund balances in the Water Fund. The Water Fund had interfund transfers in of \$26,374 and interfund transfers out of \$41,335 during the year.

**Note 10 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 11 Reclassifications**

Certain amounts presented in the prior year have been reclassified to conform with the current year's presentation.

**Note 12 Subsequent Events**

In March 2020, the COVID-19 coronavirus outbreak was declared a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the area in which the Village exists. While it is unknown how long these conditions will last and what the complete financial effect will be, the Village expects disruptions to business and residents, which could negatively impact operating results in future periods.

# VILLAGE OF NEWARK VALLEY WATER FUND

## BUDGETARY COMPARISON SCHEDULE WATER FUND FOR THE YEAR ENDED FEBRUARY 29, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>				
Departmental Income	\$ 251,272	\$ 251,272	\$ 243,992	\$ (7,280)
Use of Money and Property	30	30	4,724	4,694
Miscellaneous Local Sources	328	328	269	(59)
<b>Total Revenues</b>	<u>251,630</u>	<u>251,630</u>	<u>248,985</u>	<u>(2,645)</u>
<b>EXPENDITURES</b>				
Current:				
General Governmental Support	<u>2,258</u>	<u>2,272</u>	<u>2,271</u>	<u>1</u>
Home and Community Services	<u>157,020</u>	<u>156,973</u>	<u>111,760</u>	<u>45,213</u>
Employee Benefits	<u>31,556</u>	<u>31,589</u>	<u>27,566</u>	<u>4,023</u>
Debt Service:				
Principal	<u>46,000</u>	<u>46,000</u>	<u>46,000</u>	
Interest	<u>31,882</u>	<u>31,882</u>	<u>31,622</u>	<u>260</u>
<b>Total Expenditures</b>	<u>268,716</u>	<u>268,716</u>	<u>219,219</u>	<u>49,497</u>
Excess of (Expenditures) Revenue	<u>(17,086)</u>	<u>(17,086)</u>	<u>29,766</u>	<u>46,852</u>
<b><u>OTHER FINANCING SOURCES</u></b>				
Interfund transfers in			26,374	26,374
Interfund transfers (out)			(41,335)	(41,335)
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>(14,961)</u>	<u>(14,961)</u>
Excess of (Expenditures) over Revenues and Other Financing Sources	<u>(17,086)</u>	<u>(17,086)</u>	<u>14,805</u>	<u><b>\$ 31,891</b></u>
Appropriated Fund Balance	<u>17,086</u>	<u>17,086</u>		
<b>Excess of Revenues (Expenditures)</b>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u>14,805</u>	
Fund Balance, Beginning of Year			<u>613,965</u>	
<b>Fund Balance, End of Year</b>			<u><b>\$ 628,770</b></u>	

*See Notes to Required Supplementary Information*

# ***VILLAGE OF NEWARK VALLEY WATER FUND***

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FEBRUARY 29, 2020**

***Note 1***    **Budget Basis of Accounting**

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 U.S. 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 Policies**

The budget policies are as follows:

- 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.
- After public hearings are conducted to obtain taxpayer comments, no later than February 1, the governing board adopts the budget.
- All modifications of the budget must be approved by the governing board.

***Note 3***    **Reconciliation of the Budget Basis to U.S. GAAP**

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

***Note 4***    **Overexpenditure**

The Village did not budget for interfund transfers, which caused interfund transfers out to be overexpended by \$41,335.

**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***

Mayor and Village Trustees  
Village of Newark Valley  
Newark Valley, 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 financial statements of the Water Fund of the Village of Newark Valley (the Village Water Fund) as of and for the year ended February 29, 2020, and the related notes to the financial statements, which collectively comprise the Village Water Fund's financial statements and have issued our report thereon dated September 30, 2020.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did 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 Water Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Respectfully submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
September 30, 2020