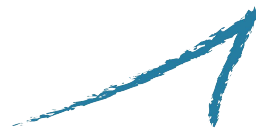


**VILLAGE OF NEWARK VALLEY
WATER FUND**

Newark Valley, New York

FINANCIAL REPORT

**For the Year Ended
February 28, 2023**



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Certified Public Accountants | Business Advisors

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 Audit of the Financial Statements

Opinion

We have audited the financial statements of the Water Fund of the Village of Newark Valley (the Village), as of and for the year ended February 28, 2023 and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Village, as of February 28, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of 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, as of February 28, 2023, the changes in its financial position, or, where applicable, its cash flows 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Village's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, budgetary comparison information, and Notes to Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 December 11, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Village’s internal control over financial reporting and compliance.

Respectfully submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
December 11, 2023

VILLAGE OF NEWARK VALLEY WATER FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS FEBRUARY 28, 2023

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 28, 2023. 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.

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 28, 2023

FINANCIAL ANALYSIS

The Water Fund's fund balance for the fiscal year ended February 28, 2023 increased by \$61,351 and increased by \$5,947 for the fiscal year ended February 28, 2022. 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>2023</i>	<i>2022</i>	<i>Total Dollar Change</i>
<i>Cash and Cash Equivalents - Unrestricted</i>	\$ 13,846	\$ 459	\$ 13,387
<i>Other Receivables, Net</i>	82,925	77,674	5,251
<i>Cash and Cash Equivalents - Restricted</i>	540,250	497,537	42,713
<i>Total Assets</i>	637,021	575,670	61,351
<i>Accounts Payable</i>	5,864	5,864	-
<i>Total Liabilities</i>	5,864	5,864	-
<i>Restricted</i>	540,250	497,537	42,713
<i>Assigned, Appropriated</i>	25,976	53,252	(27,276)
<i>Assigned, Unappropriated</i>	64,931	19,017	45,914
<i>Total Fund Balances</i>	\$ 631,157	\$ 569,806	\$ 61,351

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

Figure 2

<i>Changes in Fund Balance</i>	<i>2023</i>	<i>2022</i>	<i>Total Dollar Change</i>
REVENUES			
<i>Departmental Income</i>	\$ 268,900	\$ 232,198	\$ 36,702
<i>Use of Money and Property</i>	1,861	345	1,516
<i>Miscellaneous Local Sources</i>	260	7,759	(7,499)
<i>Interfund Transfers In</i>	68,819	42,689	26,130
<i>Total Revenues and Other Financing Sources</i>	339,840	282,991	56,849
EXPENDITURES			
<i>General Governmental Support</i>	2,356	2,369	(13)
<i>Home and Community Services</i>	109,696	134,085	(24,389)
<i>Employee Benefits</i>	26,610	27,274	(664)
<i>Debt Service</i>	116,641	77,763	38,878
<i>Interfund Transfers Out</i>	23,186	35,553	(12,367)
<i>Total Expenditures and Other Financing Uses</i>	278,489	277,044	1,445
<i>CHANGE IN FUND BALANCE</i>	\$ 61,351	\$ 5,947	\$ 55,404

VILLAGE OF NEWARK VALLEY WATER FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS FEBRUARY 28, 2023

Unrestricted cash balances increased due to the timing of payments and results of operations. 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, unappropriated fund balance is due to the result of operations during the year.

Revenue increased by \$56,849, or 20.1% from the prior year and was 43.5% more than budgeted, while expenditures increased \$1,445 or 1% from 2022.

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.

Figure 3

<i>Condensed Budgetary Comparison Water Fund - 2023</i>	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actual w/ Encumbrances</i>	<i>Favorable (Unfavorable) Variance</i>
REVENUES				
<i>Departmental Income</i>	\$ 236,600	\$ 236,600	\$ 268,900	\$ 32,300
<i>Use of Money and Property</i>	30	30	1,861	1,831
<i>Miscellaneous Local Sources</i>	200	200	260	60
<i>Interfund Transfers In</i>	-	-	68,819	68,819
Total Revenues and Other Financing Sources	\$ 236,830	\$ 236,830	\$ 339,840	\$ 103,010
Appropriated Fund Balance	\$ 33,252	\$ 96,438		
EXPENDITURES				
<i>General Governmental Support</i>	\$ 3,712	\$ 3,712	\$ 2,356	\$ 1,356
<i>Home and Community Services</i>	160,043	160,043	109,696	50,347
<i>Employee Benefits</i>	29,464	29,464	26,610	2,854
<i>Debt Service</i>	76,863	116,863	116,641	222
<i>Interfund Transfers Out</i>	-	23,186	23,186	-
Total Expenditures	\$ 270,082	\$ 333,268	\$ 278,489	\$ 54,779

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 28, 2023

ASSETS

Cash and Cash Equivalents - Unrestricted	\$ 13,846
Other Receivables, Net	82,925
Cash and Cash Equivalents - Restricted	<u>540,250</u>
Total Assets	<u><u>\$ 637,021</u></u>

LIABILITIES AND FUND BALANCES

Liabilities

Accounts Payable	<u>\$ 5,864</u>
Total Liabilities	<u>5,864</u>

Fund Balances

Restricted for:

Capital Reserve	459,168
Debt Reserve	<u>81,082</u>
Total Restricted Fund Balance	<u>540,250</u>

Assigned for:

Next Year's Budget	2,476
Multi-Year Planning	23,500
Remaining Fund Balance	<u>64,931</u>
Total Assigned Fund Balance	<u>90,907</u>

Total Fund Balances	<u>631,157</u>
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Total Liabilities and Fund Balances	<u><u>\$ 637,021</u></u>
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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 28, 2023

REVENUES

Departmental Income	\$ 268,900
Use of Money and Property	1,861
Miscellaneous Local Sources	<u>260</u>
Total Revenues	<u>271,021</u>

EXPENDITURES

Current:

General Governmental Support	2,356
Home and Community Services	109,696
Employee Benefits	26,610

Debt Service:

Principal	88,000
Interest	<u>28,641</u>

Total Expenditures	<u>255,303</u>
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Excess of Revenues (Expenditures)	<u>15,718</u>
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OTHER FINANCING SOURCES (USES)

Interfund Transfers In	68,819
Interfund Transfers (Out)	<u>(23,186)</u>

Total Other Financing Sources	<u>45,633</u>
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Excess of Revenues and Other Financing Sources Over (Expenditures) and Other Financing (Uses)	<u>61,351</u>
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Fund Balance, Beginning of Year	<u>569,806</u>
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Fund Balance, End of Year	<u><u>\$ 631,157</u></u>
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See Notes to Financial Statements

VILLAGE OF NEWARK VALLEY WATER FUND

NOTES TO FINANCIAL STATEMENTS FEBRUARY 28, 2023

***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," as amended.

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, 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 28, 2023

***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, such as 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.

VILLAGE OF NEWARK VALLEY WATER FUND

NOTES TO FINANCIAL STATEMENTS FEBRUARY 28, 2023

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 28, 2023

***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, the assigned fund balance also includes 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 fund balances 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 U.S. GAAP 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 28, 2023

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 New York 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. 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 \$1,386,167 are either insured or collateralized with securities held by the pledging financial institution in the Village's name.

Pooled Cash - During 2023, 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 28, 2023 was \$554,096. Restricted cash consisted of \$459,168, restricted for capital and repairs, and \$81,082 restricted for bonded debt.

Note 3 **Other Receivables**

Other receivables in the Water Fund consisted of water rents and judgments of \$82,925 at February 28, 2023.

VILLAGE OF NEWARK VALLEY WATER FUND

NOTES TO FINANCIAL STATEMENTS FEBRUARY 28, 2023

Note 4 Capital Assets

A summary of changes in capital assets associated with the Water System Improvement Project at February 28, 2023 follows:

	<u>Balance at March 1, 2022</u>	<u>Additions</u>	<u>Balance at February 28, 2023</u>
Depreciable Capital Assets			
Infrastructure	\$ 3,970,410	\$ -	\$ 3,970,410
Total Historical Cost	<u>3,970,410</u>	<u>-</u>	<u>3,970,410</u>
(Less): Accumulated Depreciation			
Infrastructure	(862,546)	(79,408)	(941,954)
Total Accumulated Depreciation	<u>(862,546)</u>	<u>(79,408)</u>	<u>(941,954)</u>
Water System Improvement Project			
Capital Assets, Net	<u>\$ 3,107,864</u>	<u>\$ (79,408)</u>	<u>\$ 3,028,456</u>

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 28, 2023

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>
2023	\$ 29,702
2022	36,201
2021	36,267

During the year, \$7,426 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 subject to the 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 28, 2023 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%	10/10/2047	\$ 1,451,341
Total					<u>\$ 1,451,341</u>

VILLAGE OF NEWARK VALLEY WATER FUND

NOTES TO FINANCIAL STATEMENTS FEBRUARY 28, 2023

Note 6 Serial Bonds - Continued

A summary of changes in bonds payable is as follows:

	Balance			Balance
	March 1, 2022	Additions	Deletions	February 28, 2023
Serial Bond	\$ 1,539,341	\$ -	\$ (88,000)	\$ 1,451,341
Total	\$ 1,539,341	\$ -	\$ (88,000)	\$ 1,451,341

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 ended February 28, 2023 was \$28,641.

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

Year	Principal	Interest	Total
2024	\$ 49,000	\$ 27,963	\$ 76,963
2025	50,000	27,044	77,044
2026	51,000	26,106	77,106
2027	52,000	25,150	77,150
2028	53,000	23,425	76,425
2029-2033	280,000	101,845	381,845
2034-2038	309,000	74,544	383,544
2039-2043	338,000	44,507	382,507
2044-2048	269,341	12,082	281,423
Total	\$ 1,451,341	\$ 362,666	\$ 1,814,007

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 28, 2023 are as follows:

	Balance at		Interest	Funds	Balance at
	March 1, 2022	Transfers	Allocated	Used	February 28, 2023
Restricted Funds					
Capital Reserve	\$ 388,512	\$ 70,656	\$ -	\$ -	\$ 459,168
Debt Reserve	109,025	(40,000)	-	12,057	81,082
Total	\$ 497,537	\$ 30,656	\$ -	\$ 12,057	\$ 540,250

VILLAGE OF NEWARK VALLEY WATER FUND

NOTES TO FINANCIAL STATEMENTS FEBRUARY 28, 2023

Note 8 Assigned Fund Balance

Changes in assigned fund balance consisted of the following at February 28, 2023:

	Balance at March 1, 2022	Changes	Balance at February 28, 2023
Assigned Fund Balance			
Appropriated for Next Year's Budget	\$ 33,252	\$ (30,776)	\$ 2,476
Multi-Year Planning	20,000	3,500	23,500
Remaining Fund Balance	19,017	45,914	64,931
Total	\$ 72,269	\$ 18,638	\$ 90,907

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 28, 2023, there were interfund transfers in of \$68,819 and interfund transfers out of \$23,186 in the Water Fund.

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.

VILLAGE OF NEWARK VALLEY WATER FUND

BUDGETARY COMPARISON SCHEDULE - WATER FUND FOR THE YEAR ENDED FEBRUARY 28, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Departmental Income	\$ 236,600	\$236,600	\$ 268,900	\$ 32,300
Use of Money and Property	30	30	1,861	1,831
Miscellaneous Local Sources	200	200	260	60
Total Revenues	<u>236,830</u>	<u>236,830</u>	<u>271,021</u>	<u>34,191</u>
EXPENDITURES				
Current:				
General Governmental Support	3,712	3,712	2,356	1,356
Home and Community Services	160,043	160,043	109,696	50,347
Employee Benefits	29,464	29,464	26,610	2,854
Debt Service:				
Principal	48,000	88,000	88,000	-
Interest	28,863	28,863	28,641	222
Total Expenditures	<u>270,082</u>	<u>310,082</u>	<u>255,303</u>	<u>54,779</u>
Excess of (Expenditures) Revenue	<u>(33,252)</u>	<u>(73,252)</u>	<u>15,718</u>	<u>88,970</u>
OTHER FINANCING SOURCES				
Interfund Transfers In	-	-	68,819	68,819
Interfund Transfers (Out)	-	(23,186)	(23,186)	-
Total Other Financing Sources	<u>-</u>	<u>(23,186)</u>	<u>45,633</u>	<u>68,819</u>
Excess of (Expenditures) and Other Financing (Uses) Over Revenues and Other Financing Sources	<u>(33,252)</u>	<u>(96,438)</u>	<u>61,351</u>	<u>\$ \$157,789</u>
Appropriated Fund Balance	<u>33,252</u>	<u>96,438</u>		
Excess of Revenues (Expenditures)	<u>\$ -</u>	<u>\$ -</u>	<u>61,351</u>	
Fund Balance, Beginning of Year			<u>569,806</u>	
Fund Balance, End of Year			<u>\$ 631,157</u>	

See Notes to Required Supplementary Information

VILLAGE OF NEWARK VALLEY WATER FUND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FEBRUARY 28, 2023

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

Budgets are adopted annually on a basis consistent with Generally Accepted Accounting Principles (U.S. GAAP). 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, during the year, there were no encumbrances noted.

**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) as of and for the year ended February 28, 2023, and the related notes to the financial statements, which collectively comprise the Village's financial statements and have issued our report thereon dated December 11, 2023.

Report on 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) as a basis for designing 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 Village'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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village'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 financial statements. 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
December 11, 2023