

Executive Notes

Village of Nunda

Notes to the Financial Statements For the Fiscal Year Ended May 31, 2024

I. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

The Village of Nunda, which was established in 1839, is governed by its Incorporation, Village of Nunda local laws, other general laws of the State of New York, and other various local laws. The Nunda Village Board of Trustees is the legislative body responsible for overall operations, the Mayor serves as chief executive officer and the Village Clerk-Treasurer serves as chief fiscal officer.

The following basic services are provided: **Joint Youth Recreation Program**

All governmental activities and functions performed for the Village of Nunda are its direct responsibility. No other governmental organizations have been excluded from the reporting entity.

The financial reporting entity consists of (a) the primary government which is the Village of Nunda, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement Numbers 14, 39, and 61.

The decision to include a potential component unit in the Village of Nunda's reporting entity is based on several criteria set forth in GASB 14, 39, and 61 including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities considered in determining the Village of Nunda's reporting entity.

1. Included in the Reporting Entity

The following are activities undertaken jointly with other municipalities and are excluded from all other municipality financial statements.

Youth Recreation Joint Program, with the *Village of Nunda, Town of Nunda, and the Town of Portage*.

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B. Fund Accounting

The Village of Nunda uses funds to report on its financial position and the results of its joint operation. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. The Village of Nunda records its transactions in the fund types described below.

Fund Categories

Governmental Funds – Governmental funds are those through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon the determination of financial position and changes in financial position (the sources, uses, and balances of current financial resources). The following are the Village of Nunda's governmental fund types.

General Fund – the principal operating fund and includes all operations not accounted for and reported in another fund. The Youth Recreation Program operates using its own/sole (separate) bank account.

C. Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues, expenditures, related assets, deferred outflows, liabilities, and deferred inflows are recognized in the accounts and reported in the 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.

Modified Accrual Basis – All Governmental Funds are accounted for 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. Revenues are available if collected within the end of the current fiscal year.

Material revenues that are accrued include real property taxes, State and Federal Aid, sales tax, and certain user charges. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made, all other grant requirements have been met, and the resources are available.

Expenditures are recorded when a liability is incurred except that:

- a. Expenditures for prepaid expenses and inventory-type items are recognized at the time of purchase.

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Accrual Basis – Proprietary funds are accounted for on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when incurred.

D. Changes in Accounting Policies

During the 2023/2024 fiscal year, the Village of Nunda did *review* its Investment and Borrowing Policy, Fund Balance Policy, and Online Banking and Electronic Fund Transfer Policy.

Reporting Entity

During the 2017/2018 fiscal year the Village of Nunda reviewed its policies governing the inclusion of activities, organizations, and functions that are included in its general-purpose financial statements and removed the (CR) Recreation section from its municipality Annual Updated Document now *to be reported* as a Joint Venture (Activity) on a separate financial report. The municipalities included in this (sixth year submission) Annual Financial Report include the Village of Nunda, Town of Nunda, and the Town of Portage.

E. Fund Balances

In fiscal 2011, the Village of Nunda 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.

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

Nonspendable consists of assets that are 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 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 Village of Nunda 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

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residual amount of fund balance. The Village of Nunda, by Resolution has authorized the Village Clerk-Treasurer/Chief Fiscal 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.

When resources are available from multiple classifications, the Village of Nunda spends funds in the following order: restricted, committed, assigned, unassigned.

F. Net Position

Net position is an element of proprietary fund financial statements, and is measured by the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

G. Capital Assets

Capital Assets, which includes cash. The Village of Nunda defines capital assets as assets with an initial, individual cost of more than \$500.00 and an estimated useful life more than two years. Such assets are recorded at actual on hand balance. Donated capital assets and assets acquired in a service concession arrangement are recorded at acquisition value.

H. Investments

An investment is a security or other asset (a) that a government holds primarily for the purpose of income or profit and (b) with present service capacity that is based solely on its ability to generate cash or to be sold to generate cash. Capital assets held for resale are excluded from being classified as investments.

Investments are generally reported at fair value. There are, however, two exceptions: certificates of deposit, which are reported at cost; and external investment pools, which may elect to measure all investments at amortized cost if certain criteria (as outlined in GASB Statement No. 79) is met.

I. Inventory and Prepaid Items

Inventory is valued at cost utilizing the first in, first out method for all funds and average cost method for all funds. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Payments to vendors for costs, such as rent and insurance that apply to future accounting periods, are recorded as prepaid assets in the fund financial statements. This practice is not engaged as the municipality does not pre-pay for any *future* services or materials.

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J. Deferred Outflows/Inflows of Resources

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, defined and classified deferred outflows of resources and deferred inflows of resources. A deferred outflow of resources is a consumption of net assets that applies to future period(s), and as such, will not be recognized as an outflow of resources (expense/expenditure) until that time. A deferred inflow of resources is an acquisition of net assets that applies to future period(s), and as such, will not be recognized as an inflow of resources (revenue) until that time.

K. Insurance

The Village of Nunda assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

II. Stewardship, Compliance, Accountability

A. Budget Policies – The budget policies are as follows:

1. No later than 10/01, the Director of the Youth Recreation Program submits a tentative budget to the Village of Nunda, Town of Nunda, and Town of Portage for the fiscal year commencing the following 6/01. The tentative budget includes proposed expenditures, including payroll, contractual supplies/services, and the proposed means of financing for all funds.
2. After public hearings are conducted to obtain taxpayer comments, no later than 10/15, the governing boards adopts the budget.
3. All modifications of the budget *must be approved* by the Village of Nunda Board of Trustees. However, the Village Clerk-Treasurer/Chief Fiscal Officer is authorized to transfer certain budgeted amounts within departments.
4. Budgets are prepared for proprietary funds to establish the estimated contributions required from other funds and to control expenditures.
5. Budgets are adopted annually on a basis consistent with (generally accepted accounting principles; a non-GAAP basis; or a cash basis).
6. Appropriations in all budgeted funds lapse at the end of the fiscal year, except those outstanding encumbrances, if any, are re-apportioned in the subsequent year.

III. Detailed Notes on All Funds

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A. Assets

Cash And Investments

The Village of Nunda's investment policies are governed by State statutes. In addition, the Village of Nunda has its own written investment policy. The Village of Nunda monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Village Clerk-Treasurer/Chief Fiscal Officer is authorized to use demand accounts and certificates of deposit. 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 deposits and certificates of deposit as provided for by law of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the federal government. Underlying securities must have a market value of at least a percentage provided for by law of the cost of the repurchase agreement.

For purposes of reporting cash flow, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity.

Deposits and investments at year-end were entirely covered by federal depository insurance or by collateral held by the Village of Nunda's custodial bank in the Village of Nunda's name.

Deposits

All deposits are carried at cost plus accrued interest.

<u>Fund</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>	<u>Coverage</u>
			<u>Insured</u>
			<u>(FDIC)</u>
<u>Youth Recreation</u>	<u>\$5,547.09</u>	<u>\$5,547.09</u>	

B. Liabilities

Pension Plans

Plan Description & Benefits Provided

The Village of Nunda participates in the New York State and Local Employees' Retirement System (ERS) which is collectively referred to as New York State and Local Retirement System (NYSLRS). This is a cost-sharing multiple-employer defined benefit retirement system. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated

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to the System.

The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a state statute. The systems report may be found at: <https://www.osc.state.ny.us/retirement/resources/financial-statements-and-supplementary-information> or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Contributions

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) who generally contribute 3 percent of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the RSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

IV. Joint Ventures

The information being provided are activities undertaken jointly with other municipalities. These activities are excluded from the financial statements of all participating municipalities. Separate financial statements are issued for such joint ventures and are available from their Administrative Offices. Located at:

Village of Nunda
4 Massachusetts Street
PO Box 537
Nunda, NY 14517-0537

Joint Youth Recreation Program (Shared Service)

The *Village of Nunda, Town of Nunda, and the Town of Portage* jointly own (percentage driven) this Youth Recreation Program.

Breakdown of Assets for the Joint Venture:

Village of Nunda	41%	\$2,274.31
Town of Nunda	41%	\$2,274.31
Town of Portage	18%	<u>\$ 998.47</u>
		\$5,547.09

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The Village of Nunda acts as the lead agency in governing this joint venture. Reporting processes related to monthly financial reports, payroll, and management of this account, is the responsibility of the Village of Nunda. Each member of this Joint Venture receives financial reports related to revenue and expenses over the course of the Fiscal Year and including the Annual Financial Report for this shared activity.

- End of Illustrative Notes -