



# **Incorporated Village of Freeport, New York**

Financial Report

Year Ended February 28, 2021

# Incorporated Village of Freeport, New York

## Financial Report

Year Ended February 28, 2021

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## **Independent Auditor's Report**

The Honorable Mayor and Board of Trustees  
of the Incorporated Village of Freeport, New York

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the fiduciary fund of the Incorporated Village of Freeport, New York (Village) as of and for the year ended February 28, 2021, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Village of Freeport Community Development Agency (a component unit) for the year ended August 31, 2020. Those statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the component unit, is based solely on the report of the other auditors. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinions.

## Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the fiduciary fund of the Village as of February 28, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note 1j to the basic financial statements, in the year ended February 28, 2021, the Village adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

## Other Matter

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the accompanying table of contents 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 February 18, 2022, 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 the Village's internal control over financial reporting and compliance.

BST & Co. CPAs, LLP

Albany, New York  
February 18, 2022



# Incorporated Village of Freeport, New York

## Management's Discussion and Analysis February 28, 2021

As management of the Incorporated Village of Freeport, New York ("Village" or "primary government"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the year ended February 28, 2021. Please read it in conjunction with the Village's financial statements.

### Financial Highlights

- The combined liabilities and deferred inflows of resources of the Village exceeded its assets and deferred outflows of resources by \$144,551,837 at February 28, 2021. The change in net position was related to a decrease in governmental activities of \$21,894,783 and a decrease in business-type activities of \$1,866,586 for a total combined decrease in net position of \$23,761,369. The most notable factor contributing to the Village's overall decrease in net position is the increase in the other post-employment benefit ("OPEB") liability for its current and retired employees.
- As of February 28, 2021, the Village's governmental funds reported combining ending fund balances of \$17,486,328. Of this amount, \$828,593 is not in spendable form and \$6,809,570 is restricted for debt service and pension benefits. Assigned fund balance for specific purposes is \$14,834 representing encumbrances. The remaining \$9,833,331 is unassigned and currently available for spending. See Note 30.
- At year end, the Village's total fund balance for the General Fund was \$21,174,442, a decrease of \$2,414,809 from the prior year. The unassigned fund balance for the General Fund is \$13,521,445, a decrease of \$2,905,934 from the prior year.
- The Village's total bonded debt (inclusive of general obligation bonds and bond anticipation notes ("BANs")) accounted for as short-term and long-term debt was \$88,552,486 (exclusive of unamortized premium on bonds), of which \$42,446,451 relates to governmental activities and \$46,106,035 relates to business-type activities.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements, which are comprised of three components: government-wide financial statements; fund financial statements and notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

#### Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Village's finances, in a manner similar to private-sector business.

The statement of net position presents information on all of the Village's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. This combines and consolidates the Village's current financial resources with capital assets and long-term obligations. The purpose of this statement is to give the reader an understanding of the Village's total net worth. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

# Incorporated Village of Freeport, New York

Management's Discussion and Analysis  
February 28, 2021

## Overview of the Financial Statements - Continued

### Government-Wide Financial Statements - Continued

The statement of activities presents information showing changes in the Village's net position during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes, earned but unused vacation leave and other postemployment benefit obligations).

The Village's government-wide financial statements include both the governmental and business-type activities of the Village itself as well as its discretely presented component unit, the Village of Freeport Community Development Agency ("Agency").

Each of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

- *Governmental Activities* – The Village's basic services are reported here, including general government support; public safety; health; transportation; economic opportunity and development; culture and recreation, and home and community services. Property taxes, mortgage taxes, payments in lieu of taxes, sales taxes, franchise fees, fines, and state and federal grants finance these activities. The Village also charges fees to customers to help cover costs of certain services it provides.
- *Business-Type Activities*: The Village charges a fee to customers to help cover all or most the costs of certain services it provides. The Village's water and electric activities are reported within the business-type activities.
- *Component Unit* – Component units are legally separate organizations for which the Village is either financially accountable, or the nature and significance of their relationship with the Village is such that exclusion would cause the Village's financial statements to be misleading or incomplete. The Village of Freeport Community Development Agency is reported as a discretely presented component unit on the government-wide financial statements. Complete separate financial statements may be obtained from the Agency.

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

# Incorporated Village of Freeport, New York

Management's Discussion and Analysis  
February 28, 2021

## Overview of the Financial Statements - Continued

### Fund Financial Statements - Continued

#### *Governmental Funds*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Village's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains two individual governmental funds: the General Fund and the Capital Projects Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects Fund, both of which are considered to be major funds.

The Village adopts annual budgets for the General Fund. Budgetary comparison statements have been provided for the General Fund to demonstrate compliance with its budget.

#### *Proprietary Funds*

The Village maintains two proprietary funds: the Water Fund and Electric Fund. Proprietary funds are used to report the same functions presented as the business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Electric Funds, both of which are considered to be major funds of the Village.

#### Fiduciary Fund

The fiduciary fund is used to account for resources held for the benefit of parties outside the government. The fiduciary fund is not reflected in the government-wide financial statements because the resources of the fund is not available to support Village programs. The Village is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

#### Notes to Financial Statements

The notes to financial statements are an integral part of those statements and provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

# Incorporated Village of Freeport, New York

## Management's Discussion and Analysis February 28, 2021

### Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

	Governmental Activities		Business-type Activities		Total Primary Government	
	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
Current and other assets	\$ 34,073,104	\$ 33,913,606	\$ 63,885,577	\$ 60,646,267	\$ 97,958,681	\$ 94,559,873
Capital assets, net	55,245,186	54,510,495	68,683,386	71,493,661	123,928,572	126,004,156
Total assets	<u>89,318,290</u>	<u>88,424,101</u>	<u>132,568,963</u>	<u>132,139,928</u>	<u>221,887,253</u>	<u>220,564,029</u>
Deferred outflows of resources	<u>90,625,493</u>	<u>48,179,312</u>	<u>26,578,068</u>	<u>15,813,313</u>	<u>117,203,561</u>	<u>63,992,625</u>
Current liabilities	26,145,356	12,533,846	16,184,391	9,003,997	42,329,747	21,537,843
Long-term liabilities	316,759,307	261,850,258	118,211,419	111,324,422	434,970,726	373,174,680
Total liabilities	<u>342,904,663</u>	<u>274,384,104</u>	<u>134,395,810</u>	<u>120,328,419</u>	<u>477,300,473</u>	<u>394,712,523</u>
Deferred inflows of resources	<u>4,949,938</u>	<u>8,235,344</u>	<u>1,392,240</u>	<u>2,399,255</u>	<u>6,342,178</u>	<u>10,634,599</u>
Net position						
Net investment in capital assets	28,768,361	22,798,500	22,136,755	23,214,064	50,905,116	46,012,564
Restricted	6,809,570	707,609	-	-	6,809,570	707,609
Unrestricted	<u>(203,488,749)</u>	<u>(169,522,144)</u>	<u>1,222,226</u>	<u>2,011,503</u>	<u>(202,266,523)</u>	<u>(167,510,641)</u>
Total net position	<u>\$ (167,910,818)</u>	<u>\$ (146,016,035)</u>	<u>\$ 23,358,981</u>	<u>\$ 25,225,567</u>	<u>\$ (144,551,837)</u>	<u>\$ (120,790,468)</u>

Total assets and deferred outflows of resources of the Village's governmental activities, as of February 28, 2021, were \$89,318,290 and \$90,625,493, respectively. Total liabilities and deferred inflows resources as of February 28, 2021 were \$342,904,663 and \$4,949,938, respectively. This results in a net deficit balance of \$167,910,818 at February 28, 2021, which increases the Village's governmental activities net deficit position by \$21,894,783 compared to the net deficit position at February 29, 2020. Of the Village's governmental activities net deficit position, \$28,768,361 represents its net investment in capital assets and \$6,809,570 is restricted for debt service and pension benefits; leaving a \$203,488,749 unrestricted deficit net position.

The deficit balance of unrestricted net position does not necessarily indicate fiscal stress. The deficit balance in unrestricted net position exists primarily due to non-current liabilities which include mandated payments due to employees' retirement systems, compensated absences, OPEB obligations, payments due to length of service award program participants, claims and judgments, tax certiorari payables, bond anticipation notes and general obligation bonds of which proceeds are used to procure capital assets and pay tax certioraris and claims and judgments that will be funded through future budgetary appropriations when they become payable.

Total assets and deferred outflows of resources of the Village's business-type activities, as of February 28, 2021, were \$132,568,963 and \$26,578,068, respectively. Total liabilities and deferred inflows resources as of February 28, 2021 were \$134,395,810 and \$1,392,240, respectively. This results in a net position of \$23,358,981 at February 28, 2021, which decreases the Village's business-type activities net position by \$1,866,586 compared to the net position at February 29, 2020. Of the Village's business-type activities net position balance, \$22,136,755 represents its net investment in capital assets; leaving \$1,222,226 as unrestricted net position.

# Incorporated Village of Freeport, New York

## Management's Discussion and Analysis February 28, 2021

### Government-Wide Financial Analysis - Continued

The Village's combined net investment in capital assets of \$50,905,116 as of February 28, 2021, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, intangibles and infrastructure); less any related debt used to acquire those assets that remain outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The Village's combined net position decreased in the current year primarily due to the ongoing recognition of OPEB. The unfunded liability for OPEB increased by \$57,171,511 bringing the total unfunded liability at year end to \$282,058,840. Additional information on OPEB can be found in Note 3M in the notes to the basic financial statements.

The analysis below provides detail of the results of operations of the governmental and business-type activities for the years ended February 28, 2021 and February 29, 2020, respectively:

	Governmental Activities		Business-type Activities		Total Primary Government	
	Year Ended		Year Ended		Year Ended	
	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 12,535,421	\$ 17,389,031	\$ 42,073,827	\$ 45,709,845	\$ 54,609,248	\$ 63,098,876
Operating grants and contributions	121,190	285,917	-	-	121,190	285,917
Capital grants and contributions	2,958,898	1,501,656	-	-	2,958,898	1,501,656
General revenues						
Real property taxes	47,738,443	42,713,916	-	-	47,738,443	42,713,916
Interest and penalties on real property taxes	426,640	333,011	-	-	426,640	333,011
Payments in lieu of taxes	5,406,155	5,752,896	-	-	5,406,155	5,752,896
Non-property taxes	1,179,921	1,178,144	-	-	1,179,921	1,178,144
Unrestricted use of money and property	2,122,339	519,152	15,225	133,769	2,137,564	652,921
Unrestricted state aid	767,018	514,019	-	-	767,018	514,019
Miscellaneous	1,125,266	970,575	-	-	1,125,266	970,575
Insurance recoveries	189,625	215,905	-	-	189,625	215,905
Gain on sale of property	-	3,336,997	-	-	-	3,336,997
Costs to be recovered in future revenues	-	-	3,471,131	3,696,486	3,471,131	3,696,486
Transfers	200,000	150,000	(200,000)	(150,000)	-	-
Total revenues	<u>74,770,916</u>	<u>74,861,219</u>	<u>45,360,183</u>	<u>49,390,100</u>	<u>120,131,099</u>	<u>124,251,319</u>
<b>EXPENSES</b>						
General government	20,212,801	18,069,770	-	-	20,212,801	18,069,770
Public safety	57,198,376	46,694,483	-	-	57,198,376	46,694,483
Health	6,825	2,810	-	-	6,825	2,810
Transportation	5,331,818	4,809,518	-	-	5,331,818	4,809,518
Economic assistance and opportunity	92,903	126,786	-	-	92,903	126,786
Culture and recreation	7,140,762	6,436,541	-	-	7,140,762	6,436,541
Home and community services	5,500,825	4,987,275	-	-	5,500,825	4,987,275
Interest	1,181,389	1,075,862	-	-	1,181,389	1,075,862
Water	-	-	6,994,923	6,869,928	6,994,923	6,869,928
Electric	-	-	40,231,846	42,632,415	40,231,846	42,632,415
Total expenses	<u>96,665,699</u>	<u>82,203,045</u>	<u>47,226,769</u>	<u>49,502,343</u>	<u>143,892,468</u>	<u>131,705,388</u>
<b>CHANGE IN NET POSITION</b>	<b><u>(21,894,783)</u></b>	<b><u>(7,341,826)</u></b>	<b><u>(1,866,586)</u></b>	<b><u>(112,243)</u></b>	<b><u>(23,761,369)</u></b>	<b><u>(7,454,069)</u></b>
<b>NET POSITION, beginning of year</b>	<b><u>(146,016,035)</u></b>	<b><u>(138,674,209)</u></b>	<b><u>25,225,567</u></b>	<b><u>25,337,810</u></b>	<b><u>(120,790,468)</u></b>	<b><u>(113,336,399)</u></b>
<b>NET POSITION, end of year</b>	<b><u>\$ (167,910,818)</u></b>	<b><u>\$ (146,016,035)</u></b>	<b><u>\$ 23,358,981</u></b>	<b><u>\$ 25,225,567</u></b>	<b><u>\$ (144,551,837)</u></b>	<b><u>\$ (120,790,468)</u></b>

# Incorporated Village of Freeport, New York

## Management's Discussion and Analysis February 28, 2021

### Government-Wide Financial Analysis - Continued

The key elements of the change in governmental-wide revenue are as follows:

- Government-wide program revenues decreased by approximately \$5,853,188, primarily as a result of a decrease in electric usage and governmental activities charges for services, and partially offset by an increase in capital and operating grants and contributions.
- Government-wide general revenues increased by \$1,732,968 from the previous year mainly due to increased real property taxes and related interest and penalties on real property taxes, an increase in mortgage taxes collected and favorable returns on the Village's investments.

The key elements of the change in government-wide expenses are as follows:

- Government-wide expenses increased primarily as a result of mandated contract salary increases, and the increased costs associated with the Village's other post-employment benefit obligations, pension liability – length of service award program and net pension liability.

The total cost of services, program revenues and related net cost of services of the governmental activities is as follows:

	Total Costs of Services		Program Revenues		Net Cost of Services	
	Year Ended		Year Ended		Year Ended	
	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
General government support	\$ 20,212,801	\$ 18,069,770	\$ 3,052,724	\$ 1,489,870	\$ 17,160,077	\$ 16,579,900
Public safety	57,198,376	46,694,483	2,651,252	4,755,659	54,547,124	41,938,824
Health	6,825	2,810	-	-	6,825	2,810
Transportation	5,331,818	4,809,518	2,509,687	1,194,442	2,822,131	3,615,076
Economic assistance and opportunity	92,903	126,786	-	20,656	92,903	106,130
Culture and recreation	7,140,762	6,436,541	1,156,746	2,907,200	5,984,016	3,529,341
Home and community services	5,500,825	4,987,275	6,245,100	8,808,777	(744,275)	(3,821,502)
Interest	1,181,389	1,075,862	-	-	1,181,389	1,075,862
	<u>\$ 96,665,699</u>	<u>\$ 82,203,045</u>	<u>\$ 15,615,509</u>	<u>\$ 19,176,604</u>	<u>\$ 81,050,190</u>	<u>\$ 63,026,441</u>

The cost of the governmental activities totaled \$96,665,699 for the year ended February 28, 2021. The net cost of these services after being subsidized by program revenues of \$16,959,434 was \$79,706,265.

The total cost of services, program revenues and related net cost of services of the business-type activities is as follows:

	Total Costs of Services		Program Revenues		Net Cost of Services	
	Year Ended		Year Ended		Year Ended	
	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
Electric	\$ 40,231,846	\$ 42,632,415	\$ 35,724,441	\$ 39,032,478	\$ 4,507,405	\$ 3,599,937
Water	6,994,923	6,869,928	6,349,386	6,677,367	645,537	192,561
	<u>\$ 47,226,769</u>	<u>\$ 49,502,343</u>	<u>\$ 42,073,827</u>	<u>\$ 45,709,845</u>	<u>\$ 5,152,942</u>	<u>\$ 3,792,498</u>

The cost of the business-type activities totaled \$47,226,769 for the year ended February 28, 2021. The net cost of these services after being subsidized by program revenues of \$42,073,827 was \$5,152,942.

# Incorporated Village of Freeport, New York

## Management's Discussion and Analysis February 28, 2021

### Financial Analysis of the Village's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### Governmental Funds

The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

The General Fund is the chief operating fund of the Village. At the end of the current year, unassigned fund balance was \$13,521,445, representing 64% of the total General Fund balance of \$21,174,442. Two useful measures of liquidity are the percentage of unassigned fund balance to total expenditures and total fund balance to total expenditures. At the end of the current year, the General Fund showed a 18% unassigned fund balance to total expenditures and other financing uses and a 29% total fund balance to total expenditures and other financing uses.

The key elements that led to the decrease in fund balance are as follows:

- Mandated contractual salary increases
- Rising costs of employee benefits such as pension and health insurance
- A reduction of program revenues, notably fines and fees

At February 28, 2021, the Capital Projects Fund had a deficit balance of \$3,688,114. The fund balance of the Capital Projects Fund decreased by \$1,157,811 in comparison to February 29, 2020, a result of timing differences between project expenditures and the recognition of corresponding permanent financing.

#### Proprietary Funds

The Village's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but with certain additional detail.

As of February 28, 2021, the Water Fund's net position was \$11,609,187, a decrease of \$369,895 in comparison to February 29, 2020. Operating revenues decreased by \$327,981, a result of decreased interest and penalties as a result of the COVID-19 pandemic. Operating expenses also increased by \$151,916, primarily the result of contractual increases in salaries and other administrative costs. The non-operating revenues (expenses) increased by \$97,397 primarily as a result of an increase in costs related to other postemployment benefits that will be recovered from future revenues, offset by a decrease in interest income from the Water Fund's investments.

As of February 28, 2021, the Electric Fund's net position was \$11,749,794, a decrease of \$1,496,691 from the prior year. Operating revenues decreased \$3,308,037 as a result of decreased residential and commercial sales from the prior fiscal year and a reduction in federal aid received. The reduction in operating revenues resulted in a reduction of operating expenses of \$1,511,302, partially offset by an increase in salaries and other administrative costs. The non-operating revenues (expenses) increased by \$744,697 primarily as a result of an increase in costs related to other postemployment benefits that will be recovered from future revenues, offset by a decrease in interest income from the Electric Fund's investments.

# Incorporated Village of Freeport, New York

## Management's Discussion and Analysis February 28, 2021

### General Fund Budgetary Highlights

Over the course of the year the Village Board reviews and revises the budget as needed so that expenditures do not exceed appropriations. In the General Fund, various transfers between appropriations are approved by the Village Board for this purpose. The final budget is also revised from the original budget for the prior year encumbrances. Overall, total revenues and other financing sources were less than budgeted amounts by \$7,110,482 and total actual expenditures were less than total budgeted amounts by \$5,017,854. As a result, the Village's General Fund actual change in fund balance was \$2,092,628 less than the final budgeted amounts during the year ended February 28, 2021. Additional information related to the General Fund budgetary highlights are disclosed within the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.

### Capital Assets and Debt Administration

#### Capital Assets

The Village's investment in capital assets for governmental activities and business-type activities at February 28, 2021 was \$55,245,186 and \$68,683,386, respectively. This investment in capital assets includes land, buildings, improvements, machinery and equipment, construction-in-progress, and infrastructure (roads, curbs, sidewalks, drainage, sewer and water systems) and intangible assets.

During the year ended February 28, 2021, the Village's major capital expenditures were as follows:

Water system improvements	\$	620,264
Electric system improvements		633,361
Land acquisitions		990,000
Acquisition of vehicles and major equipment		1,319,473
Sewer system improvements		1,288,753
Road and sidewalk improvements		1,690,285

A summary of the Village's governmental activities capital assets is as follows:

	February 28, 2021	February 29, 2020
Land	\$ 5,150,221	\$ 4,160,221
Construction in progress	185,023	808,262
Buildings	16,309,619	15,586,273
Improvements other than buildings	18,513,988	18,053,940
Machinery and equipment	18,924,140	18,273,319
Intangibles - software	1,289,184	1,289,184
Infrastructure	83,190,318	80,211,280
Total capital assets, cost	143,562,493	138,382,479
Less: accumulated depreciation	88,317,307	83,871,984
Total net governmental activities capital assets	<u>\$ 55,245,186</u>	<u>\$ 54,510,495</u>

# Incorporated Village of Freeport, New York

## Management's Discussion and Analysis February 28, 2021

### Capital Assets and Debt Administration - Continued

#### Capital Assets - Continued

A summary of the Village's business-type activities capital assets is as follows:

	February 28, 2021	February 29, 2020
Land	\$ 170,220	\$ 170,220
Construction in progress	414,035	621,578
Buildings, wells and structures	21,336,962	21,336,826
Improvements other than buildings	2,212,311	2,212,311
Machinery and equipment	109,819,612	109,159,472
Infrastructure	21,273,754	20,789,910
Total capital assets, cost	155,226,894	154,290,317
Less: accumulated depreciation	86,543,508	82,796,656
Total net business-type activities capital assets	<u>\$ 68,683,386</u>	<u>\$ 71,493,661</u>

The Village has an informal capital improvement plan which allows for the continued improvements to infrastructure, buildings and equipment. The Village finances most of these improvements with bond anticipation notes and general obligation bonds.

Additional information on the Village's capital assets can be found in Note 3D in the notes to the financial statements.

#### Long-Term Debt

The Village has the power to contract indebtedness for any purpose so long as the principal amount thereof, subject to certain limited exceptions, shall not exceed seven percent of the average full valuation of taxable real estate of the Village, and is subject to certain enumerated exclusions and deductions such as the electric plant and water facilities.

The constitutional method for determining full valuation is calculated by taking the assessed valuation of taxable real estate as shown upon the latest completed assessment roll and dividing the same by the equalization rate as determined by the State Board of Equalization and Assessment. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of the last completed assessment roll and the four preceding assessment rolls and dividing such sum by five. The percentage of debt-contracting power exhausted as of November 16, 2020 was 14.99%.

# Incorporated Village of Freeport, New York

## Management's Discussion and Analysis February 28, 2021

### Capital Assets and Debt Administration - Continued

#### Long-Term Debt - Continued

A summary of activity for outstanding debt for the Village for the year ended February 28, 2021 is as follows:

	Balance March 1, 2020	Increases	Decreases	Balance February 28, 2021
<b>Governmental activities</b>				
Bond anticipation notes	\$ 9,919,500	\$ 9,931,000	\$ 8,169,500	\$ 11,681,000
General obligation bonds *	35,425,486	1,330,900	5,990,935	30,765,451
	<u>\$ 45,344,986</u>	<u>\$ 11,261,900</u>	<u>\$ 14,160,435</u>	<u>\$ 42,446,451</u>
<b>Business-type activities</b>				
Bond anticipation notes	\$ 1,596,500	\$ 2,356,500	\$ 1,596,500	\$ 2,356,500
General obligation bonds *	46,114,519	32,134,100	34,499,084	43,749,535
	<u>\$ 47,711,019</u>	<u>\$ 34,490,600</u>	<u>\$ 36,095,584</u>	<u>\$ 46,106,035</u>

\* - Exclusive of related unamortized bond premiums

Moody's Investor Service ("Moody's") has assigned a credit rating of "Aa3" to the Village. Additional information on the Village's debt activity can be found in Notes 3F and 3G in the notes to the financial statements.

### Economic Factors and Next Year's Budget and Rates

The Village has adopted a budget for the 2020-2021 fiscal year, which factors in inflation and other adjustments to revenues and expenditures as well as prior year positive and negative fund balances. The 2021-2022 budget includes an overall decrease in real property tax revenues from the prior year of 4.8% for the Village's governmental activities.

Chapter 97 of the Laws of 2011 (the "Tax Cap Law") was enacted on June 24, 2011 and took effect for the 2012 budget year. The Tax Cap Law limits annual increases in the Village's overall real property tax to more no more than the lesser of 2.00% or the rate of inflation. Certain increases to the tax levy are excluded from the limitations imposed by the Tax Cap Law including exclusions for certain expenditures for retirement system contributions and tort judgments payable by the Village. In addition, the Village Board may override the limitations if the Village Board enacts, by vote of at least sixty percent of the voting power of the Village Board, a local law to override such limit for the upcoming budget year. The Tax Cap Law does not provide exclusion for debt service on general obligations issued by the Village. Accordingly, the Village has taken the appropriate steps to override the applicable tax cap for the 2021-2022 fiscal year.

### Requests for Information

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the finances of the Village and to demonstrate the Village's accountability with the money it receives. Questions or additional information regarding this report can be directed to the Treasurer's Office, 46 North Ocean Avenue, Freeport, New York.

# Incorporated Village of Freeport, New York

## Government-Wide Financial Statements Statement of Net Position

February 28, 2021

	Primary Government			Component Unit
	Governmental	Business-type	Total	Community
	Activities	Activities		Development Agency
				(August 31, 2020)
<b>ASSETS</b>				
Cash and equivalents	\$ 6,280,225	\$ 1,911,417	\$ 8,191,642	\$ 135,140
Investments	9,917,418	4,656,932	14,574,350	-
Investments, restricted	6,809,570	-	6,809,570	-
Receivables				
Taxes	745,407	-	745,407	-
Accounts, net	474,587	7,651,387	8,125,974	-
State and Federal aid	3,682,050	-	3,682,050	-
Due from other governments	1,503,123	-	1,503,123	31,933
Internal balances	2,842,131	(2,842,131)	-	-
Inventories	335,351	2,293,225	2,628,576	-
Property held for sale or redevelopment	990,000	-	990,000	-
Prepaid expenses	493,242	137,877	631,119	-
Costs to be recovered from future revenues	-	49,578,522	49,578,522	-
Regulatory deposits	-	498,348	498,348	-
Capital assets				
Not being depreciated	5,335,244	584,255	5,919,499	-
Being depreciated, net	49,909,942	68,099,131	118,009,073	-
Total assets	<u>89,318,290</u>	<u>132,568,963</u>	<u>221,887,253</u>	<u>167,073</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>90,625,493</u>	<u>26,578,068</u>	<u>117,203,561</u>	<u>-</u>
<b>LIABILITIES</b>				
Accounts payable	2,376,574	3,055,694	5,432,268	3,230
Accrued liabilities	912,031	37,620	949,651	-
Accrued interest payable	284,940	252,217	537,157	-
Due to other governments	13,712	-	13,712	316,857
Deposits payable	932,966	-	932,966	-
Customer deposits	-	1,467,163	1,467,163	-
Regulatory liabilities	-	3,504,489	3,504,489	-
Bond anticipation notes payable	9,416,000	2,356,500	11,772,500	-
Unearned revenues	200,393	229,241	429,634	-
Non-current liabilities				
Due within one year	12,008,740	5,281,467	17,290,207	-
Due in more than one year	316,759,307	118,211,419	434,970,726	453,411
Total liabilities	<u>342,904,663</u>	<u>134,395,810</u>	<u>477,300,473</u>	<u>773,498</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>4,949,938</u>	<u>1,392,240</u>	<u>6,342,178</u>	<u>100,343</u>
<b>NET POSITION</b>				
Net investment in capital assets	28,768,361	22,136,755	50,905,116	-
Restricted for				
Debt service	828,527	-	828,527	-
Pension benefits	5,981,043	-	5,981,043	-
Unrestricted	<u>(203,488,749)</u>	<u>1,222,226</u>	<u>(202,266,523)</u>	<u>(706,768)</u>
<b>Total net position</b>	<b><u>\$ (167,910,818)</u></b>	<b><u>\$ 23,358,981</u></b>	<b><u>\$ (144,551,837)</u></b>	<b><u>\$ (706,768)</u></b>

See accompanying Notes to Financial Statements.

# Incorporated Village of Freeport, New York

## Government-Wide Financial Statements Statement of Activities

Year Ended February 28, 2021

Functions/Programs	Expenses	Program Revenue			Net (Expenses) Revenues and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Community Development Agency (August 31, 2020)
<b>GOVERNMENTAL ACTIVITIES</b>								
General government support	\$ 20,212,801	\$ 3,032,933	\$ 19,791	\$ -	\$ (17,160,077)	\$ -	\$ (17,160,077)	\$ -
Public safety	57,198,376	2,572,600	78,652	-	(54,547,124)	-	(54,547,124)	-
Health	6,825	-	-	-	(6,825)	-	(6,825)	-
Transportation	5,331,818	380,194	-	2,129,493	(2,822,131)	-	(2,822,131)	-
Economic opportunity and development	92,903	-	-	-	(92,903)	-	(92,903)	-
Culture and recreation	7,140,762	1,133,999	22,747	-	(5,984,016)	-	(5,984,016)	-
Home and community services	5,500,825	5,415,695	-	829,405	744,275	-	744,275	-
Interest	1,181,389	-	-	-	(1,181,389)	-	(1,181,389)	-
Total governmental activities	<u>96,665,699</u>	<u>12,535,421</u>	<u>121,190</u>	<u>2,958,898</u>	<u>(81,050,190)</u>	<u>-</u>	<u>(81,050,190)</u>	<u>-</u>
<b>BUSINESS-TYPE ACTIVITIES</b>								
Water	6,994,923	6,349,386	-	-	-	(645,537)	(645,537)	-
Electric	40,231,846	35,724,441	-	-	-	(4,507,405)	(4,507,405)	-
Total business-type activities	<u>47,226,769</u>	<u>42,073,827</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,152,942)</u>	<u>(5,152,942)</u>	<u>-</u>
Total primary government	<u>\$ 143,892,468</u>	<u>\$ 54,609,248</u>	<u>\$ 121,190</u>	<u>\$ 2,958,898</u>	<u>(81,050,190)</u>	<u>(5,152,942)</u>	<u>(86,203,132)</u>	<u>-</u>
<b>COMPONENT UNIT</b>								
Community Development Agency	<u>\$ 832,949</u>	<u>\$ -</u>	<u>\$ 803,376</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,573)</u>
<b>GENERAL REVENUES</b>								
Real property taxes					47,738,443	-	47,738,443	-
Other tax items								
Interest and penalties on real property taxes					426,640	-	426,640	-
Payments in lieu of taxes					5,406,155	-	5,406,155	-
Non-property taxes								
Non-property tax distribution from County					119,088	-	119,088	-
Utilities gross receipts tax					1,060,833	-	1,060,833	-
Unrestricted use of money and property					2,122,339	15,225	2,137,564	226,409
Unrestricted State aid					767,018	-	767,018	-
Miscellaneous					1,125,266	-	1,125,266	-
Insurance recoveries					189,625	-	189,625	-
Costs to be recovered from future revenues					-	3,471,131	3,471,131	-
Transfers					200,000	(200,000)	-	-
Total general revenues					<u>59,155,407</u>	<u>3,286,356</u>	<u>62,441,763</u>	<u>226,409</u>
Change in net position					<b>(21,894,783)</b>	<b>(1,866,586)</b>	<b>(23,761,369)</b>	<b>196,836</b>
<b>NET POSITION, beginning of year</b>					<u>(146,016,035)</u>	<u>25,225,567</u>	<u>(120,790,468)</u>	<u>(903,604)</u>
<b>NET POSITION, end of year</b>					<u><b>\$ (167,910,818)</b></u>	<u><b>\$ 23,358,981</b></u>	<u><b>\$ (144,551,837)</b></u>	<u><b>\$ (706,768)</b></u>

See accompanying Notes to Financial Statements.

# Incorporated Village of Freeport, New York

## Fund Financial Statements Balance Sheet - Governmental Funds

	February 28, 2021		
	General	Capital Projects	Total Governmental Funds
<b>ASSETS</b>			
Cash and equivalents	\$ 6,279,209	\$ 1,016	\$ 6,280,225
Investments	6,369,136	3,548,282	9,917,418
Investments, restricted	6,809,570	-	6,809,570
Receivables			
Taxes	745,407	-	745,407
Accounts, net	464,587	10,000	474,587
State and Federal aid	2,132,126	1,549,924	3,682,050
Due from other funds	3,604,111	852,355	4,456,466
Due from other governments	673,524	829,599	1,503,123
Inventories	335,351	-	335,351
Property held for sale or redevelopment	990,000	-	990,000
Prepaid expenditures	493,242	-	493,242
	<b>\$ 28,896,263</b>	<b>\$ 6,791,176</b>	<b>\$ 35,687,439</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 1,871,001	\$ 505,573	\$ 2,376,574
Accrued liabilities	912,031	-	912,031
Due to other funds	1,056,618	557,717	1,614,335
Due to other governments	13,712	-	13,712
Deposits payable	932,966	-	932,966
Bond anticipation notes	-	9,416,000	9,416,000
Unearned revenues	200,393	-	200,393
Total liabilities	4,986,721	10,479,290	15,466,011
Deferred inflows of resources			
Unavailable tax revenues	722,413	-	722,413
Other unavailable resources	2,012,687	-	2,012,687
	2,735,100	-	2,735,100
	<b>7,721,821</b>	<b>10,479,290</b>	<b>18,201,111</b>
Fund balances			
Nonspendable	828,593	-	828,593
Restricted	6,809,570	-	6,809,570
Assigned	14,834	-	14,834
Unassigned	13,521,445	(3,688,114)	9,833,331
Total fund balances	21,174,442	(3,688,114)	17,486,328
	<b>\$ 28,896,263</b>	<b>\$ 6,791,176</b>	<b>\$ 35,687,439</b>

See accompanying Notes to Financial Statements.

# Incorporated Village of Freeport, New York

## Reconciliation of the Total Fund Balances Shown in the Governmental Funds to the Statement of Net Position

		<b>February 28, 2021</b>
Fund Balances - Total Governmental Funds	\$	17,486,328
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		55,245,186
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reflected as deferred in the funds.		
Unavailable tax revenues	722,413	
Other unavailable resources	<u>2,012,687</u>	2,735,100
Governmental funds do not report the effect of losses on refunding bonds and deferred outflows of resources and deferred inflows of resources relating to net pension, other postemployment benefits liabilities and the total pension liability - liability - fire service awards, whereas these amounts are deferred and amortized in the statement of activities.		
Deferred amounts on net pension liabilities		25,228,335
Deferred amounts on fire service awards		3,500,702
Deferred amounts on other postemployment benefits		56,299,079
Deferred amounts on refunding bonds		647,439
Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued interest payable	(284,940)	
Bonds payable	(32,004,639)	
Bond anticipation notes payable	(2,265,000)	
Tax certiorari payable	(884,290)	
Claims payable	(6,006,776)	
Compensated absences	(23,961,359)	
Retirement incentives and other pension liabilities	(1,994,764)	
Net pension liability	(31,760,112)	
Pension liability - length of service award program	(15,012,175)	
Other postemployment benefit liability	<u>(214,878,932)</u>	<u>(329,052,987)</u>
<b>Net position of governmental activities</b>		<b><u><u>\$ (167,910,818)</u></u></b>

# Incorporated Village of Freeport, New York

## Fund Financial Statements Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

	Year Ended February 28, 2021		
	General	Capital Projects	Total Governmental Funds
<b>REVENUES</b>			
Real property taxes	\$ 45,669,822	\$ -	\$ 45,669,822
Other tax items	5,832,795	-	5,832,795
Non-property taxes	1,179,921	-	1,179,921
Departmental income	6,981,937	-	6,981,937
Intergovernmental charges	6,500	-	6,500
Interfund revenues	1,276,423	-	1,276,423
Use of money and property	2,122,339	-	2,122,339
Licenses and permits	1,768,630	-	1,768,630
Fines and forfeitures	2,501,931	-	2,501,931
Sale of property and compensation for loss	5,965	-	5,965
State aid	846,991	1,143,986	1,990,977
Federal aid	197,125	829,405	1,026,530
Miscellaneous	1,119,301	829,599	1,948,900
Total revenues	69,509,680	2,802,990	72,312,670
<b>EXPENDITURES</b>			
General government	12,463,742	-	12,463,742
Public safety	23,770,959	-	23,770,959
Health	2,800	-	2,800
Transportation	2,348,212	-	2,348,212
Economic development and opportunity	64,444	-	64,444
Culture and recreation	3,035,952	-	3,035,952
Home and community services	3,888,785	-	3,888,785
Employee benefits	21,019,185	-	21,019,185
Capital outlay	387,727	3,838,607	4,226,334
Debt service			
Principal	4,800,135	-	4,800,135
Interest	1,179,248	-	1,179,248
Total expenditures	72,961,189	3,838,607	76,799,796
<b>Deficiency of revenues over expenditures</b>	<b>(3,451,509)</b>	<b>(1,035,617)</b>	<b>(4,487,126)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Repayments to escrow agent on refunding of serial bonds	(1,321,019)	-	(1,321,019)
Bonds issued	1,330,900	-	1,330,900
Insurance recoveries	189,625	-	189,625
Bond anticipation notes issued	515,000	-	515,000
Transfers in	377,194	55,000	432,194
Transfers out	(55,000)	(177,194)	(232,194)
Total other financing sources (uses)	1,036,700	(122,194)	914,506
<b>Net change in fund balances</b>	<b>(2,414,809)</b>	<b>(1,157,811)</b>	<b>(3,572,620)</b>
<b>FUND BALANCES, beginning of year</b>	23,589,251	(2,530,303)	21,058,948
<b>FUND BALANCES, end of year</b>	<b>\$ 21,174,442</b>	<b>\$ (3,688,114)</b>	<b>\$ 17,486,328</b>

See accompanying Notes to Financial Statements.

# Incorporated Village of Freeport, New York

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Change in Net Position Shown in the Statement of Activities

		<u>Year Ended February 28, 2021</u>
Net change in fund balances - total governmental funds		\$ (3,572,620)
Amounts reported for governmental activities in the statement of activities are different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	5,288,511	
Loss on disposal of equipment	(5,307)	
Depreciation expense	<u>(4,548,513)</u>	734,691
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Real property taxes	55,934	
Other unavailable resources	<u>2,012,687</u>	2,068,621
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Bonds issued	(1,330,900)	
Bond anticipation notes issued	(515,000)	
Principal paid on bonds	5,990,935	
Principal paid on bond anticipation notes	85,000	
Deferred loss on refunding bonds issued	45,219	
Amortization of loss on refunding bonds	(101,970)	
Premium on bonds issued	(146,960)	
Amortization of premium	<u>186,062</u>	4,212,386
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Accrued interest	60,727	
Tax certiorari payable	54,636	
Claims payable	198,628	
Compensated absences	76,786	
Retirement incentives and other pension liabilities	658,859	
Net pension liability, net of deferred outflows of resources and deferred inflows of resources	(5,927,814)	
Pension liability - length of service award program, net of deferred outflows of resources and deferred inflows of resources	(549,581)	
Other post employment benefit obligations, net of deferred outflows of resources and deferred inflows of resources	<u>(19,910,102)</u>	<u>(25,337,861)</u>
<b>Change in net position of governmental activities</b>		<b><u>\$ (21,894,783)</u></b>

See accompanying Notes to Financial Statements.

# Incorporated Village of Freeport, New York

## Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – General Fund

	Year Ended February 28, 2021			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Real property taxes	\$ 45,762,372	\$ 45,762,372	\$ 45,669,822	\$ (92,550)
Other tax items	5,745,768	5,745,768	5,832,795	87,027
Non-property taxes	1,214,000	1,214,000	1,179,921	(34,079)
Departmental income	10,291,290	10,291,290	6,981,937	(3,309,353)
Intergovernmental charges	6,500	6,500	6,500	-
Interfund revenues	1,600,000	1,600,000	1,276,423	(323,577)
Use of money and property	1,601,469	1,601,469	2,122,339	520,870
Licenses and permits	2,709,598	2,709,598	1,768,630	(940,968)
Fines and forfeitures	4,633,000	4,633,000	2,501,931	(2,131,069)
Sale of property and compensation for loss	17,000	17,000	5,965	(11,035)
State aid	594,236	596,181	846,991	250,810
Federal aid	21,000	1,293,455	197,125	(1,096,330)
Miscellaneous	1,134,696	1,149,529	1,119,301	(30,228)
Total revenues	75,330,929	76,620,162	69,509,680	(7,110,482)
<b>EXPENDITURES</b>				
General government	12,700,020	14,712,823	12,463,742	2,249,081
Public safety	25,784,104	24,613,721	23,770,959	842,762
Health	3,350	3,350	2,800	550
Transportation	2,315,815	2,456,441	2,348,212	108,229
Economic development and opportunity	153,719	154,219	64,444	89,775
Culture and recreation	3,545,513	3,622,234	3,035,952	586,282
Home and community services	4,030,201	4,018,133	3,888,785	129,348
Employee benefits	20,846,570	20,887,322	21,019,185	(131,863)
Capital outlay	1,292,530	1,502,693	387,727	1,114,966
Debt service				
Principal	4,800,135	4,800,135	4,800,135	-
Interest	1,207,972	1,207,972	1,179,248	28,724
Total expenditures	76,679,929	77,979,043	72,961,189	5,017,854
<b>Deficiency of revenues over expenditures</b>	<b>(1,349,000)</b>	<b>(1,358,881)</b>	<b>(3,451,509)</b>	<b>(2,092,628)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Repayments to escrow agent on refunding of serial bonds	-	(1,321,019)	(1,321,019)	-
Bonds issued	70,000	1,400,900	1,330,900	70,000
Insurance recoveries	150,000	150,000	189,625	(39,625)
Bond anticipation notes issued	1,185,000	1,185,000	515,000	670,000
Transfers in	178,000	178,000	377,194	(199,194)
Transfers out	(234,000)	(234,000)	(55,000)	179,000
Total other financing sources (uses)	1,349,000	1,358,881	1,036,700	680,181
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>(2,414,809)</b>	<b>(1,412,447)</b>
<b>FUND BALANCE, beginning of year</b>	23,589,251	23,589,251	23,589,251	-
<b>FUND BALANCE, end of year</b>	<b>\$ 23,589,251</b>	<b>\$ 23,589,251</b>	<b>\$ 21,174,442</b>	<b>\$ (1,412,447)</b>

See accompanying Notes to Financial Statements.

# Incorporated Village of Freeport, New York

## Fund Financial Statements Statement of Net Position - Proprietary Funds

	February 28, 2021		
	Water	Electric	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and equivalents	\$ 143,874	\$ 1,767,543	\$ 1,911,417
Investments	1,055,996	3,600,936	4,656,932
Accounts receivable, net	2,350,579	5,300,808	7,651,387
Due from other funds	437,129	347,401	784,530
Inventories	91,542	2,201,683	2,293,225
Prepaid expenses	16,442	121,435	137,877
Total current assets	4,095,562	13,339,806	17,435,368
<b>NONCURRENT ASSETS</b>			
Costs to be recovered from future revenues	8,926,709	40,651,813	49,578,522
Regulatory deposit	-	498,348	498,348
Capital assets			
Nondepreciable capital assets	85,981	498,274	584,255
Depreciable capital assets, net	15,671,443	52,427,688	68,099,131
Total noncurrent assets	24,684,133	94,076,123	118,760,256
Total assets	<b>28,779,695</b>	<b>107,415,929</b>	<b>136,195,624</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	4,401,079	22,176,989	26,578,068
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	635,629	2,420,065	3,055,694
Accrued liabilities	37,620	-	37,620
Accrued interest payable	39,525	212,692	252,217
Due to other funds	397,718	3,228,943	3,626,661
Regulatory liabilities	-	3,504,489	3,504,489
Bond anticipation notes payable	760,000	1,596,500	2,356,500
Unearned revenue	-	229,241	229,241
Customer deposits	-	1,467,163	1,467,163
Compensated absences	35,723	310,868	346,591
Retirement incentives and other pension liabilities	43,895	190,379	234,274
Bonds payable	1,021,919	3,678,683	4,700,602
Total current liabilities	2,972,029	16,839,023	19,811,052

# Incorporated Village of Freeport, New York

## Fund Financial Statements Statement of Net Position - Proprietary Funds - Continued

	February 28, 2021		
	Water	Electric	Total
<b>LIABILITIES - Continued</b>			
<b>NONCURRENT LIABILITIES</b>			
Bonds payable, less current portion	\$ 4,556,568	\$ 34,932,961	\$ 39,489,529
Compensated absences, less current portion	321,510	2,546,332	2,867,842
Net pension liability	1,298,161	6,937,013	8,235,174
Other post employment benefit liabilities	12,095,873	55,084,035	67,179,908
Retirement incentives and other pension liabilities, less current portion	82,247	356,719	438,966
Total noncurrent liabilities	18,354,359	99,857,060	118,211,419
Total liabilities	21,326,388	116,696,083	138,022,471
<b>DEFERRED INFLOWS OF RESOURCES</b>	245,199	1,147,041	1,392,240
<b>NET POSITION</b>			
Net investment in capital assets	9,418,937	12,717,818	22,136,755
Unrestricted	2,190,250	(968,024)	1,222,226
<b>Total net position</b>	<b>\$ 11,609,187</b>	<b>\$ 11,749,794</b>	<b>\$ 23,358,981</b>

# Incorporated Village of Freeport, New York

## Fund Financial Statements Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds

	Year Ended February 28, 2021		
	Water	Electric	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 6,333,197	\$ 31,476,634	\$ 37,809,831
Federal aid	-	4,050,699	4,050,699
Interest and penalties	16,189	-	16,189
Miscellaneous	-	197,108	197,108
Total operating revenues	6,349,386	35,724,441	42,073,827
<b>OPERATING EXPENSES</b>			
Power generation	-	16,544,325	16,544,325
Power and pumping	2,097,783	-	2,097,783
Transmission and distribution services	100,228	1,544,701	1,644,929
Street lighting and signal system	-	97,867	97,867
Customer counting and collection	-	830,893	830,893
Administrative and general	2,487,180	13,672,192	16,159,372
Depreciation	806,711	2,992,878	3,799,589
Charges in lieu of taxes	1,344,150	3,747,000	5,091,150
Miscellaneous	-	186,093	186,093
Total operating expenses	6,836,052	39,615,949	46,452,001
<b>Loss from operations</b>	<b>(486,666)</b>	<b>(3,891,508)</b>	<b>(4,378,174)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income	2,466	12,759	15,225
Interest expense	(158,871)	(615,897)	(774,768)
Costs to be recovered from future revenues	473,176	2,997,955	3,471,131
Total nonoperating revenues (expenses)	316,771	2,394,817	2,711,588
<b>Loss before transfers</b>	<b>(169,895)</b>	<b>(1,496,691)</b>	<b>(1,666,586)</b>
Transfers out	(200,000)	-	(200,000)
Change in net position	(369,895)	(1,496,691)	(1,866,586)
<b>NET POSITION, beginning of year</b>	11,979,082	13,246,485	25,225,567
<b>NET POSITION, end of year</b>	<b>\$ 11,609,187</b>	<b>\$ 11,749,794</b>	<b>\$ 23,358,981</b>

# Incorporated Village of Freeport, New York

## Fund Financial Statements Statement of Cash Flows - Proprietary Funds

Year Ended February 28, 2021

	Water	Electric	Total
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Cash received from customers and charges for services	\$ 7,046,183	\$ 35,008,325	\$ 42,054,508
Cash payments to employees	(1,796,728)	(9,910,758)	(11,707,486)
Cash paid for interfund services	(1,344,150)	(3,747,000)	(5,091,150)
Cash payments to vendors	(2,040,130)	(18,029,645)	(20,069,775)
	<b>1,865,175</b>	<b>3,320,922</b>	<b>5,186,097</b>
<b>CASH FLOWS USED BY NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers out	(200,000)	-	(200,000)
<b>CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(620,264)	(381,886)	(1,002,150)
Proceeds on bonds payable issued	476,100	31,658,000	32,134,100
Principal paid on bonds payable	(1,422,238)	(34,788,260)	(36,210,498)
Proceeds on bond anticipation notes issued	760,000	-	760,000
Interest paid on bonds payable and bond anticipation notes	(158,871)	(615,897)	(774,768)
	<b>(965,273)</b>	<b>(4,128,043)</b>	<b>(5,093,316)</b>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>			
Interest income	2,466	12,759	15,225
Purchase of investments	(1,005,466)	(9,297,692)	(10,303,158)
Sales of investments	281,503	9,794,096	10,075,599
	<b>(721,497)</b>	<b>509,163</b>	<b>(212,334)</b>
<b>Net decrease in cash and equivalents</b>	<b>(21,595)</b>	<b>(297,958)</b>	<b>(319,553)</b>
<b>CASH AND EQUIVALENTS, <i>beginning of year</i></b>	<b>165,469</b>	<b>2,065,501</b>	<b>2,230,970</b>
<b>CASH AND EQUIVALENTS, <i>end of year</i></b>	<b>\$ 143,874</b>	<b>\$ 1,767,543</b>	<b>\$ 1,911,417</b>

See accompanying Notes to Financial Statements.

# Incorporated Village of Freeport, New York

## Fund Financial Statements Statement of Cash Flows - Proprietary Funds - Continued

	Year Ended February 28, 2021		
	Water	Electric	Total
<b>RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Loss from operations	\$ (486,666)	\$ (3,891,508)	(4,378,174)
Adjustments to reconcile loss from operations to net cash provided by operating activities			
Depreciation	806,711	2,992,878	3,799,589
Bad debts expense	-	10,496	10,496
(Increase) decrease in			
Accounts receivable	696,797	(726,612)	(29,815)
Inventories	(2,175)	(148,183)	(150,358)
Due from other funds	65,137	14,864	80,001
Prepaid expenses	209	(1,397)	(1,188)
Regulatory deposit	-	(97,849)	(97,849)
Deferred outflows of resources - net pension liability	(600,171)	(3,259,218)	(3,859,389)
Deferred outflows of resources - other postemployment benefit liability	(766,874)	(5,900,620)	(6,667,494)
Deferred outflows of resources - deferred amounts on refunding bonds	7,012	(244,885)	(237,873)
Increase (decrease) in			
Accounts payable	434,363	1,098,138	1,532,501
Accrued liabilities	1,450	-	1,450
Accrued interest payable	(18,201)	(11,309)	(29,510)
Due to other funds	(341,103)	685,583	344,480
Regulatory liabilities	-	(367,968)	(367,968)
Customer deposits	-	2,355	2,355
Compensated absences	35,723	(72,822)	(37,099)
Retirement incentives and other pension liabilities	46,650	(551,911)	(505,261)
Other post employment benefit liabilities	1,389,965	9,170,178	10,560,143
Net pension liability	841,762	5,382,313	6,224,075
Deferred inflows of resources - net pension liability	(95,499)	(489,998)	(585,497)
Deferred inflows of resources - other postemployment benefit liability	(149,915)	(271,603)	(421,518)
	2,351,841	7,212,430	9,564,271
 <b>Net cash provided (used) by operating activities</b>	<b>\$ 1,865,175</b>	<b>\$ 3,320,922</b>	<b>\$ 5,186,097</b>

See accompanying Notes to Financial Statements.

# Incorporated Village of Freeport, New York

## Fund Financial Statements Statement of Fiduciary Net Position – Fiduciary Fund

	<u>February 28, 2021</u>
	<u>Private Purpose Trust</u>
<b>ASSETS</b>	
Investments, restricted	<u>\$        15,389</u>
<b>NET POSITION</b>	
Restricted	<u>\$        15,389</u>

# Incorporated Village of Freeport, New York

## Fund Financial Statements Statement of Changes in Fiduciary Net Position – Fiduciary Fund

	<b>Year Ended February 28, 2021</b>
	<b>Private Purpose Trust</b>
<b>ADDITIONS</b>	
Interest earnings	\$ 43
<b>NET POSITION, <i>beginning of year, as restated</i></b>	<b>15,346</b>
<b>NET POSITION, <i>end of year</i></b>	<b>\$ 15,389</b>

# Incorporated Village of Freeport, New York

## Notes to Financial Statements February 28, 2021

### **Note 1 - Organization and Summary of Significant Accounting Policies**

The Incorporated Village of Freeport, New York (Village) was established in 1892 and is governed in accordance with its Charter, New York State Village Law, and the various other municipal laws of the State of New York. The Village Board of Trustees is the legislative body responsible for overall operations. The Village Mayor serves as the Chief Executive Officer and the Treasurer services as the Chief Financial Officer. The Village provides the following services to its residents: public safety, health, transportation, economic opportunity and development, culture and recreation, home and community services, general and administrative support, and water and electric service.

The accounting policies of the Village conform to accounting principles generally accepted in the United State of America (U.S. GAAP) as applicable to governmental units and the Uniform System of Accounts as prescribed by the State of New York. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Village's more significant accounting policies:

#### *a. Financial Reporting Entity*

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

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the Village's reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency, and financial accountability. Based upon the application of these criteria, the following discretely presented component unit is included in the Village's reporting entity because of its operational or financial relationship with the Village. A discretely presented component unit is presented as a separate column in the government-wide financial statements to emphasize that it is a legally separate entity from the Village.

The Village of Freeport Community Development Agency (Agency) is a public benefit corporation created by state legislation to promote the safety, health and welfare of the Village's inhabitants and to promote the sound growth and development of the Village. The Village Mayor serves as the Chairman and appoints the Community Development Commissioners. The Village acts as a pass-through entity for funding received from the Federal U.S. Department of Housing and Urban Development (HUD) through contracts with the County of Nassau, New York (County).

Excluded from the reporting entity is the Village of Freeport Housing Authority (Authority), which was created in 1957 by the New York State Legislature. Although the Authority is related to the Village, it is excluded based on the following criteria: (a) only the governing Board of the Authority is appointed by the Village Mayor; (b) the Village provides no subsidy to the Authority nor is it responsible for the operational deficits of the Authority; (c) the Authority's debt is essentially supported by the operating revenues of the Authority and is not guaranteed by the Village; (d) the Village does not appoint management of the Authority nor does it approve the Authority's budget, contracts, or hiring of staff and (e) the Village has no oversight responsibility for funds of the Authority.

# Incorporated Village of Freeport, New York

## Notes to Financial Statements

February 28, 2021

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *b. Government-Wide Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government as a whole. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position presents the financial position of the Village at the end of its fiscal year. The statement of activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods or services, or privileges provided by a given function or segment; (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment; and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The Village does not allocate indirect expenses to functions in the statement of activities.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the enterprise funds are charges to customers for services. Operating expenses for the enterprise funds and the internal service funds include the cost of services, administrative expenses, depreciation costs, and benefit costs. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

#### *c. Fund Financial Statements*

The accounts of the Village are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances/net position, revenues, and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The Village maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. Proprietary and fiduciary funds are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation.

# Incorporated Village of Freeport, New York

## Notes to Financial Statements February 28, 2021

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *c. Fund Financial Statements - Continued*

The Village's resources are reflected in the fund financial statements in three broad fund categories, in accordance with U.S. GAAP, as follows:

- Governmental Funds – Governmental funds are those through which most general government functions are financed. The acquisition, use, and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the Village's major governmental funds:
  - General Fund – The General Fund constitutes the primary operating fund of the Village and is used to account for and report all financial resources not accounted for and reported in another fund.
  - Capital Projects Fund – The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets, other than those financed by proprietary funds.
- Proprietary Funds – Proprietary funds are used to account for operations that are financed and operated in a manner similar to private enterprises or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability. Enterprise funds are used to account for those operations that provide services to the public. The operations of the Water and Electric Funds are recorded as enterprise funds.
- Private Purpose Trust – The private purpose trust is used to account for private donations. The private purpose trust is not included in the government-wide financial statements.

#### *d. Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements and the proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The private purpose trust has no measurement focus but utilizes the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# Incorporated Village of Freeport, New York

## Notes to Financial Statements February 28, 2021

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *d. Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers property tax revenues to be available if collected within sixty days of the fiscal year end. A ninety-day availability period is used for revenue recognition for all other governmental fund revenues. Property taxes associated with the current fiscal period as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims, compensated absences, and other post-employment benefit obligations are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

#### *e. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balances*

Cash and Equivalents and Investments – Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts, and certificates of deposit with original maturities of three months or less.

State statutes govern the Village's deposit and investment policies. The Village has adopted its own written investment policy which provides for the deposit of funds in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The Village is authorized to use demand deposit accounts, time deposit accounts, and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements, and obligations of New York State or its political subdivisions. Accordingly, the Village's policy provides for no credit risk on investments.

Collateral is required for demand deposit accounts, time deposit accounts, and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The Village has entered into custodial agreements with the various banks which hold its deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies, and obligations of the State and its municipal and school district subdivisions.

Investments (except investments disclosed in Note 11) include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

Investments of the Length of Service Award Program are invested in accordance with a statutory prudent person rule and in accordance with an investment policy adopted by the Village.

# Incorporated Village of Freeport, New York

## Notes to Financial Statements February 28, 2021

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *e. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balances - Continued*

##### Cash and Equivalents and Investments - Continued

At February 28, 2021, the Village had \$15,402,877 invested with the New York Cooperative Liquid Assets Securities System (NYCLASS), which is a short-term highly liquid investment fund, designed specifically for the public sector that operates like a money market fund. NYCLASS is subject to the Municipal Cooperation Agreement Amended and Restated as of March 28, 2019 (the Agreement) and is structured in accordance with New York State General Municipal Law (GML) (Article 3-A and Article 5-G, Section 119-n and o, and Chapter 623 of the Laws of 1998). All NYCLASS investment and custodial policies are in accordance with GML, Sections 10 and 11 (as amended by Chapter 708 and Laws of 1992). NYCLASS is rated "AAAm" by S&P Global Ratings. Participants are allowed to conduct transactions (deposits, withdrawals, or transfers) on a normal business day. There are no limits on the dollar amount or number of daily transactions, except that the total daily withdrawals may not exceed the total balance on the deposit.

Taxes Receivable – Real property taxes are levied and become a lien no later than March 1<sup>st</sup> each year. Taxes are levied based upon the taxable value of all real property located within the Village. Taxes are payable in two equal installments without penalty, on March 1<sup>st</sup> and September 1<sup>st</sup>. The first half of real property taxes become delinquent after April 1<sup>st</sup> and the second half becomes delinquent after October 1<sup>st</sup>. Thereafter, penalties and interest are imposed pursuant to the Real Property Tax Law. After certification and return of the tax warrant to the Board of Trustee of the uncollected tax items, an annual sale of the tax liens is held pursuant to the provisions of the Real Property Tax Law. Tax sale certificates are issued for all uncollected property taxes, in anticipation of the sale of properties in satisfaction of the property tax liens.

Other Receivables – Other receivables relating to governmental activities include amounts due from other governments and individuals for services provided by the Village as well as amounts due from franchise agreements and payments in lieu of taxes. Receivables relating to business-type activities primarily consist of amounts due from residents for sales or services rendered. Receivables are recorded and revenues recognized as earned or as specific program expenditures/expenses are incurred. Allowances are recorded when appropriate.

Due From/To Other Funds – During the course of its operations, the Village has numerous transactions between funds to finance operations, provide services, and construct assets. Balances of interfund amounts receivable or payable have been recorded in the fund financial statements to the extent that certain transactions between funds had not been paid or received as of February 28, 2021. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Prepaid Expenses/Expenditures – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method in both the government-wide and fund financial statements. Prepaid expenses/expenditures consist of employee retirement, workers' compensation insurance, and other costs which have been satisfied prior to the end of the fiscal year but represent items which have been provided for in the subsequent year's budget and will benefit such periods. Reported amounts in governmental funds are equally offset by nonspendable fund balance, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

# Incorporated Village of Freeport, New York

## Notes to Financial Statements

February 28, 2021

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

*e. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balances - Continued*

Inventory – Inventories in governmental funds consisting of expendable supplies held for consumption are valued at average cost. These inventories are accounted for on the consumption method and are recorded as an expenditure at the time of usage. Reported amounts in the governmental funds are equally offset by nonspendable fund balance in the fund financial statements, which indicates that these amounts do not constitute “available spendable resources” even though they are a component of current assets.

Proprietary fund inventory, consisting of various parts and supplies, is accounted for on the consumption method and is stated at the lower of average cost or net realizable value.

Regulatory Assets and Liabilities – Costs to be Recovered from Future Revenues – The current rates for the sale of water and electricity in the Water and Electric funds includes amounts for postemployment benefits other than pensions that are expected to be paid out during the fiscal year, but not for the amount of the annual required contribution. The Village has deferred the excess of current annual required contributions over the amounts paid for the year ended February 28, 2021. The deferred costs will be recovered through future revenues as prescribed by the Village’s Board of Trustees for the Water Fund and the ratemaking policies of the New York State Public Service Commission (NYSPSC) for the Electric Fund. The costs to be recovered from revenues for the year ended February 28, 2021 were determined as follows:

	<u>Water Fund</u>	<u>Electric Fund</u>	<u>Total</u>
Costs excluded from ratemaking policies			
Annual OPEB costs recoverable from rate payers	\$ 554,762	\$ 2,526,361	\$ 3,081,123
Costs included in current year rates			
Amount of current year payments	(159,305)	(725,466)	(884,771)
Changes in assumptions and other inputs	<u>80,722</u>	<u>1,197,060</u>	<u>1,277,782</u>
Costs to be recovered from future revenues	476,179	2,997,955	3,474,134
Beginning	<u>8,450,530</u>	<u>37,653,858</u>	<u>46,104,388</u>
Ending	<u>\$ 8,926,709</u>	<u>\$ 40,651,813</u>	<u>\$ 49,578,522</u>

Other Regulatory Assets and Liabilities – The financial statements of the Electric Fund reflect the ratemaking policies and orders of the NYSPSC. Accordingly, the Electric Fund follows GASB Statement No. 62, which allows for the deferral of expenses and income on the Statement of Net Position when it’s probable that those expenses and income will be allowed in the rate setting process in a period different from the period in which they would have been reflected in the Statement of Revenues, Expenses and Changes in Net Position. These deferred regulatory assets and liabilities are then recognized in the period in which the amounts are reflected in the rates. As of February 28, 2021, the Village’s regulatory assets and liabilities, as reported in the Electric Fund, were \$498,348 and \$3,504,489, respectively.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$5,000 and an estimate useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital asset are recorded at acquisition value at the date of donation.

# Incorporated Village of Freeport, New York

## Notes to Financial Statements

February 28, 2021

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

*e. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balances - Continued*

#### Capital Assets - Continued

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the Village chose to include all such items regardless of their acquisition date or amount. The Village was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year).

Land and construction-in-progress are not depreciated. Property, plant, equipment, and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

Class	Life in Years
Buildings	20 - 50
Improvements other than Buildings	20
Machiner and Equipment	5 - 10
Intangibles - Software	5
Infrastructure	25 - 50

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures on the governmental fund financial statements. Capital assets are not shown on the governmental fund balance sheets.

Intangible assets lack physical substance, are nonfinancial in nature, and have an estimated useful life extending beyond a single reporting period. The term depreciation, as used in these financial statements, includes amortization of intangible assets.

The Electric Fund's capital assets are depreciated using rates based on studies of the estimated useful lives and estimated net values of the assets. Donated capital assets are recorded at estimated fair value at the date of donation. The anticipated costs of removing assets upon retirement are provided for over the life of those assets as a component of depreciation expense. The following depreciation rates have been approved by the NYSPSC.

Buildings and structures	1.89% - 2.50%
Machinery and equipment	2.10% - 8.32%

# Incorporated Village of Freeport, New York

## Notes to Financial Statements February 28, 2021

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *e. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balances - Continued*

##### Capital Assets - Continued

In accordance with NYSPSC policies, the Electric Fund adjusts the accumulated depreciation for the following upon the retirement of a capital asset: (a) a reduction of the accumulated depreciation for the original cost of the asset, regardless if it is fully depreciation or not; (b) a reduction of the accumulated depreciation for the cost of removing the capital asset; (c) an increase to the accumulated depreciation for the costs of material salvaged; and (d) an increase to the account for the minimal amount of cash receipts received.

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over its fair value. There were no impairments of long-lived assets as of February 28, 2021.

Unearned Revenues – Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In the government-wide financial statements, unearned revenues consist of revenues received in advance and/or amounts from grants received before the eligibility requirements have been met.

Unearned revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The Village has reported \$200,393 for grant funds received in advance in the General Fund and \$229,241 for advance collections of fees in the Electric Fund.

Deferred Outflows of Resources and Deferred Inflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The Village has reported deferred inflows of resources of \$722,413 at February 28, 2021 for real property taxes in the General Fund. In addition, the General Fund has reported deferred inflows of resources of \$2,012,687 at February 28, 2021 for amounts not achieving the availability criterion for revenue recognition. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The Village has reported deferred outflows of resources within the governmental activities and the business-type activities of \$1,023,273 and \$1,821,303, respectively, for deferred charges on refunding bonds. These amounts result from the difference in the carrying value of the refunded debt and its reacquisition price. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt.

# Incorporated Village of Freeport, New York

## Notes to Financial Statements

February 28, 2021

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

*e. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balances - Continued*

#### Deferred Outflows/Inflows of Resources - Continued

Pension related deferred outflows of resources and deferred inflows of resources are disclosed in Note 3l.

OPEB related deferred outflows of resources and deferred inflows of resources are disclosed in Note 3m.

Fire service award deferred outflows of resources and deferred inflows of resources are disclosed in Note 3n.

Deferred outflows of resources and deferred inflows of resources at December 31, 2020 in the government-wide financial statements are as follows:

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net pension liability	\$ 25,890,100	\$ 661,765
Fire service awards program	4,117,137	616,435
Other postemployment benefit liability	59,970,817	3,671,738
Deferred amounts on refunding bonds	647,439	-
	\$ 90,625,493	\$ 4,949,938

	Business-type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net pension liability	\$ 6,007,444	\$ 244,305
Other postemployment benefit liability	18,749,321	1,147,935
Deferred amounts on refunding bonds	1,821,303	-
	\$ 26,578,068	\$ 1,392,240

# Incorporated Village of Freeport, New York

## Notes to Financial Statements February 28, 2021

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

*e. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balances - Continued*

Long-Term Liabilities - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

Compensated Absences - The various collective bargaining agreements provide for the payment of accumulated vacation and sick leave upon separation from service. The liability for such accumulated leave is reflected in the government-wide and proprietary fund financial statements as current and long-term liabilities. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement. The liability for compensated absences includes salary related payments, where applicable.

Net Position - Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The components of net position include net investment in capital assets, restricted for debt service and pension benefits. The remaining balance is classified as unrestricted.

Fund Balance - Generally, fund balance represents the difference between current assets and deferred outflows of resources and current liabilities and deferred inflows of resources. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Village is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance is reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws, or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification is used to report funds that are restricted for debt service obligations and for other items contained in the General Municipal Law of the State of New York.

# Incorporated Village of Freeport, New York

## Notes to Financial Statements

February 28, 2021

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

- e. *Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balances - Continued*

#### Fund Balance - Continued

Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the Village that can, by the adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, these funds may only be used for the purpose specified unless the Village removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain amounts established and approved by the Board of Trustees.

Assigned fund balance in the General Fund represents amounts constrained either by policies of the Board of Trustees for amounts assigned for balancing the subsequent year's budget or a person with delegated authority from the governing board to assign amounts for a specific intended purposes. Unlike commitments, assignments generally exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted, or committed fund balance amounts.

Unassigned fund balance in the General Fund represents amounts not classified as nonspendable, restricted, committed, or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all other governmental funds, unassigned fund balance would be negative if the fund's liabilities and deferred inflows of resources, together with amounts already classified as nonspendable, restricted, and committed would exceed the fund's assets and deferred outflows of resources.

In order to calculate the amounts to report as restricted and unrestricted fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Village's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Village's policy to use fund balance in the following order: committed, assigned, and unassigned.

- f. *Encumbrances*

In governmental funds, encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General and Capital Projects Funds. Encumbrances outstanding at year-end are reported as assigned fund balance since they do not constitute expenditures or liabilities.

# Incorporated Village of Freeport, New York

## Notes to Financial Statements

February 28, 2021

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *g. Estimates*

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

#### *h. Fair Value Measurements*

The Village reports certain assets at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

#### *i. Fair Value of Financial Instruments*

The framework for measuring fair value includes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy give the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of inputs used to measure fair value are as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Village has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset.

Level 3 – Inputs to the valuation methodology are unobservable inputs and significant to their fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value:

Bond funds and U.S. and international equities funds: Reported at current quoted fair value.

# Incorporated Village of Freeport, New York

## Notes to Financial Statements February 28, 2021

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

*i. Fair Value of Financial Instruments - Continued*

Cash and cash equivalents: The carrying amount approximates fair value because of the short maturity of the investments.

NYCLASS: reported at fair value using quoted prices for identical items that are not actively traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

The following table summarizes as of February 28, 2021 the Village's restricted investments and categorization within the fair value measurement hierarchy:

	Level 1	Level 2	Level 3	Total
NYCLASS	-	\$ 15,402,877	-	\$ 15,402,877
Bond funds	3,627,065	-	-	3,627,065
U.S. and international equities funds	1,851,017	-	-	1,851,017
Cash and cash equivalents	502,961	-	-	502,961
	\$ 5,981,043	\$ 15,402,877	-	\$ 21,383,920

*j. Adoption of New Accounting Standard*

During 2021, the Village adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus of this criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

As a result of the adoption of this standard, the Village now reports its fiduciary activities, if any, within a custodial fund.

A summary of the impact of the adoption of the new accounting standard is as follows:

	As Originally Stated March 1, 2020	Adoption of GASB 84	As Restated March 1, 2020
<i>General Fund</i>			
Assets	\$28,861,070	\$ 1,438,942	\$30,300,012
Liabilities	4,605,340	1,438,942	6,044,282
<i>Agency Fund</i>			
Assets	1,438,942	(1,438,942)	-
Liabilities	1,438,942	(1,438,942)	-

# Incorporated Village of Freeport, New York

## Notes to Financial Statements

February 28, 2021

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *k. Subsequent Events Evaluation by Management*

The Village has evaluated subsequent events for potential recognition or disclosure through February 18, 2022, the date the financial statements were available to be issued.

### Note 2 - Stewardship, Compliance, and Accountability

#### *a. Budgetary Data*

The Village generally follows the procedures enumerated below in establishing the budgetary data reflected in the financial statements:

- i. Prior to December 20<sup>th</sup>, the budget officer submits to the Village Clerk and the Village Board of Trustees a tentative operating budget for the fiscal year commencing the following March 1<sup>st</sup>. The tentative budget includes proposed expenditures and the means of financing for the General and Capital Projects Funds.
- ii. The Board of Trustees conducts a public hearing on the tentative budget to obtain taxpayer comments on or before January 15<sup>th</sup>.
- iii. After the public hearing and on or before February 1<sup>st</sup>, the Board of Trustees meet to consider and adopt the budget, at which time they are required to file the document with the Village Clerk.
- iv. Formal budgetary integration is employed during the year as a management control device for the General Fund.
- v. The budget for the General Fund is legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. The Board of Trustees does not adopt an annual budget for the Water and Electric Funds.
- vi. The Board of Trustees has established legal control of the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval of the Board. Any modification to appropriations resulting from an increase in revenue estimates or supplemental reserve appropriations also require a majority vote by the Board of Trustees.
- vii. Appropriations in the General Fund lapse at the end of the fiscal year, except that outstanding encumbrances, if any, are reappropriated in the succeeding year pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

Budgeted amounts are as originally adopted, or as amended by the Board of Trustees.

# Incorporated Village of Freeport, New York

## Notes to Financial Statements February 28, 2021

### Note 2 - Stewardship, Compliance, and Accountability - Continued

#### *b. Property Tax Limitation*

The Village is permitted by the Constitution of the State of New York to levy taxes up to 2% of the five year average full valuation of taxable real estate located within the Village, exclusive of the amount raised for the payment of interest on and redemption of long-term debt.

In addition to this constitutional tax limitation, Chapter 97 of the Laws of 2011, as amended ("Tax Levy Limitation Law"), modified previous law by imposing a limit on the amount of real property taxes a local government may levy. The following is a brief summary of certain relevant provisions of the Tax Levy Limitation Law. The summary is not complete and the full text of the Tax Levy Limitation Law should be read in order to understand the details and implementations thereof.

The Tax Levy Limitation Law imposes a limitation on increases in the real property tax levy, subject to certain exceptions. The Tax Levy Limitation Law permits the Village to increase its overall real property tax levy over the tax levy of the prior year by no more than the "Allowable Levy Growth Factor," which is the lesser of one and two-one hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by (ii) the average of the National Consumer Price Indexes determined by the United States Department of Labor with the result expressed as a decimal to four places.

The Village is required to calculate its tax levy limit for the upcoming year in accordance with the provision above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limitation Law sets forth certain exclusions to the real property tax levy limitation of the Village, including exclusion for certain portions of the expenditures for retirement system contributions and tort judgments payable by the Village. The Village Board of Trustees may adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the Board first enacts, by a vote of at least sixty percent of the total voting power of the Board, a local law to override such limit for such coming fiscal year.

#### *c. Capital Projects Fund Project Deficits*

The unassigned deficit in the Capital Projects Fund of \$3,688,114 arises due to expenditures exceeding current financing on ongoing projects within the Village. The proceeds of bond anticipations notes issued to finance construction of capital projects are not recognized as "other financing sources." Bond anticipation notes are recognized as revenue only to the extent that they are redeemed. This deficit will be reduced and eliminated as bond anticipation notes are redeemed from interfund transfers from other governmental funds or converted to permanent financing.

# Incorporated Village of Freeport, New York

## Notes to Financial Statements February 28, 2021

### Note 3 - Detailed Notes on All Funds

#### a. Taxes Receivable

Taxes receivable at February 28, 2021 consisted of the following:

Tax liens	<u>\$ 745,407</u>
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Taxes receivable in the fund financial statements are partially offset by deferred tax revenues of \$722,413 which represents an estimate of the taxes receivable which will not be collected within the first sixty days of the subsequent year.

#### b. Receivables

State and Federal Receivables are comprised of the following at February 28, 2021:

General Fund	
Mortgage tax	\$ 471,899
Disaster grant	245,428
Fire equipment grant	5,000
COVID-19 grant	1,383,789
Miscellaneous	<u>26,010</u>
	<u>\$ 2,132,126</u>
Capital Projects Fund	
Road improvement projects	720,519
Community Development Block Grant/Entitlement Grant	<u>829,405</u>
	<u>\$ 1,549,924</u>

Due from other Governments are comprised of the following at February 28, 2021:

General Fund	
PILOT agreements	\$ 66,429
Fire protection agreement	6,500
Public safety grant	182,500
Due from Community Development Agency	251,915
Fines and forfeitures	<u>166,180</u>
	<u>\$ 673,524</u>
Capital Projects Fund	
Road improvements due from Nassau County	<u>\$ 829,599</u>

# Incorporated Village of Freeport, New York

## Notes to Financial Statements February 28, 2021

### Note 3 - Detailed Notes on All Funds - Continued

*b. Receivables - Continued*

Accounts receivable in the General Fund are comprised primarily of franchise agreements, street opening permits, utility receipts and public work fees. Accounts receivable in the Water Fund and Electric Funds are comprised of outstanding user fees and utility charges.

The Village has recorded an allowance for doubtful accounts within accounts receivable of the General Fund and Electric Fund of \$89,442 and \$73,860, respectively, at February 28, 2021.

*c. Interfund Transactions*

The balances reflected as due from/to other funds at February 28, 2021 were as follows:

February 28, 2021				
Due to Other Funds				
Due from Other Funds	General	Capital Projects	Electric	Water
General	-	\$ 337,955	\$ 3,105,670	\$ 160,486
Capital Projects	691,004	-	26,742	134,609
Electric	25,016	219,762	-	102,623
Water	340,598	-	96,531	-
	\$ 1,056,618	\$ 557,717	\$ 3,228,943	\$ 397,718

The outstanding balances between funds result mainly from the time lag between the dates that: (1) interfund goods and services are provided or reimbursable expenditures occur; (2) transactions are recorded in the accounting system; and (3) payments between funds are made.

Interfund transfers were as follows:

Year Ended February 28, 2021			
Transfers In			
Transfers Out	General	Capital Projects	Total
General	\$ -	\$ 55,000	\$ 55,000
Capital Projects	177,194	-	177,194
Water	200,000	-	200,000
Total	\$ 377,194	\$ 55,000	\$ 432,194

# Incorporated Village of Freeport, New York

## Notes to Financial Statements

February 28, 2021

### Note 3 - Detailed Notes on All Funds - Continued

#### d. Capital Assets

Changes in the Village's capital assets are as follows:

Governmental Activities	Balance March 1, 2020	Additions	Deletions	Balance February 28, 2021
Capital assets not being depreciated				
Land	\$ 4,160,221	\$ 990,000	\$ -	\$ 5,150,221
Construction in progress	808,262	182,133	805,372	185,023
Total capital assets not being depreciated	<u>4,968,483</u>	<u>1,172,133</u>	<u>805,372</u>	<u>5,335,244</u>
Depreciable capital assets				
Buildings	15,586,273	736,755	13,409	16,309,619
Improvements other than buildings	18,053,940	460,048	-	18,513,988
Machinery and equipment	18,273,319	745,909	95,088	18,924,140
Intangibles - software	1,289,184	-	-	1,289,184
Infrastructure	80,211,280	2,979,038	-	83,190,318
Total depreciable capital assets	<u>133,413,996</u>	<u>4,921,750</u>	<u>108,497</u>	<u>138,227,249</u>
Less accumulated depreciation				
Buildings	9,731,918	393,042	8,102	10,116,858
Improvements other than buildings	12,636,784	705,756	-	13,342,540
Machinery and equipment	13,209,431	919,203	95,088	14,033,546
Intangibles - software	1,015,216	118,640	-	1,133,856
Infrastructure	47,278,635	2,411,872	-	49,690,507
Total accumulated depreciation	<u>83,871,984</u>	<u>4,548,513</u>	<u>103,190</u>	<u>88,317,307</u>
Net depreciable capital assets	<u>49,542,012</u>	<u>373,237</u>	<u>5,307</u>	<u>49,909,942</u>
Total net capital assets governmental activities	<u>\$ 54,510,495</u>	<u>\$ 1,545,370</u>	<u>\$ 810,679</u>	<u>\$ 55,245,186</u>
Water Fund	Balance March 1, 2020	Additions	Deletions	Balance February 28, 2021
Capital assets not being depreciated				
Land	\$ 85,981	\$ -	\$ -	\$ 85,981
Depreciable capital assets				
Buildings	9,447,075	-	-	9,447,075
Improvements other than buildings	2,212,311	-	-	2,212,311
Machinery and equipment	1,108,753	136,420	(36,161)	1,209,012
Infrastructure	20,789,910	483,844	-	21,273,754
Total depreciable capital assets	<u>33,558,049</u>	<u>620,264</u>	<u>(36,161)</u>	<u>34,142,152</u>
Less accumulated depreciation				
Buildings	2,967,680	184,544	-	3,152,224
Improvements other than buildings	1,301,260	109,617	-	1,410,877
Machinery and equipment	869,443	38,884	(36,161)	872,166
Infrastructure	12,561,776	473,666	-	13,035,442
Total accumulated depreciation	<u>17,700,159</u>	<u>806,711</u>	<u>(36,161)</u>	<u>18,470,709</u>
Net depreciable capital assets	<u>15,857,890</u>	<u>(186,447)</u>	<u>-</u>	<u>15,671,443</u>
Total Water Fund net capital assets	<u>\$ 15,943,871</u>	<u>\$ (186,447)</u>	<u>\$ -</u>	<u>\$ 15,757,424</u>

# Incorporated Village of Freeport, New York

## Notes to Financial Statements February 28, 2021

### Note 3 - Detailed Notes on All Funds - Continued

#### d. Capital Assets - Continued

Electric Fund	Balance March 1, 2020	Additions	Deletions	Balance February 28, 2021
Capital assets not being depreciated				
Land	\$ 84,239	\$ -	\$ -	\$ 84,239
Construction in progress	621,578	-	207,543	414,035
Total capital assets not being depreciated	<u>705,817</u>	<u>-</u>	<u>207,543</u>	<u>498,274</u>
Depreciable capital assets				
Buildings	11,889,751	136	-	11,889,887
Machinery and equipment	108,050,719	576,457	16,576	108,610,600
Total depreciable capital assets	<u>119,940,470</u>	<u>576,593</u>	<u>16,576</u>	<u>120,500,487</u>
Less accumulated depreciation				
Buildings	8,178,927	224,343	-	8,403,270
Machinery and equipment	56,917,570	2,768,535	16,576	59,669,529
Total accumulated depreciation	<u>65,096,497</u>	<u>2,992,878</u>	<u>16,576</u>	<u>68,072,799</u>
Net depreciable capital assets	<u>54,843,973</u>	<u>(2,416,285)</u>	<u>-</u>	<u>52,427,688</u>
Total Electric Fund net capital assets	<u>\$ 55,549,790</u>	<u>\$ (2,416,285)</u>	<u>\$ 207,543</u>	<u>\$ 52,925,962</u>

Depreciation expense was charged to the Village's functions and programs as follows:

Governmental activities	
General government support	\$ 164,609
Public safety	754,669
Transportation	2,039,348
Culture and recreation	981,125
Home and community services	608,762
Total depreciation expense for governmental activities	<u>\$ 4,548,513</u>

Governmental activities	
Water fund	\$ 806,711
Electric fund	2,992,878
Total depreciation expense for business-type activities	<u>\$ 3,799,589</u>

#### e. Accrued Liabilities

Accrued liabilities at February 28, 2021 were as follows:

	Governmental Activities	Business- Type Activities	Total
Payroll and employee benefits	<u>\$ 912,031</u>	<u>\$ 37,620</u>	<u>\$ 949,651</u>

# Incorporated Village of Freeport, New York

## Notes to Financial Statements February 28, 2021

### Note 3 - Detailed Notes on All Funds - Continued

#### f. Bond Anticipation Notes

The schedule of changes in bond anticipation notes within the fund financial statements during the year ended February 28, 2021 is as follows:

Purpose	Original Issue Date	Maturity Date	Interest Rate	Balance March 1, 2019	New Issues	Redemptions	Balance February 29, 2021
<b>Capital Projects Fund</b>							
Various public improvements	5/1/2018	4/30/2020	2.50%	\$ 1,104,000	-	\$ 1,104,000	-
Various public improvements	2/26/2019	4/30/2020	2.50%	2,290,000	-	2,290,000	-
Various public improvements	7/31/2019	4/30/2020	2.00%	2,800,500	-	2,800,500	-
Various public improvements	2/27/2020	4/30/2020	1.50%	1,890,000	-	1,890,000	-
Various public improvements	4/29/2020	4/29/2021	2.10%	-	2,725,000	-	2,725,000
Various public improvements	4/29/2020	4/29/2021	2.05%	-	3,580,000	-	3,580,000
Various public improvements	12/15/2020	4/29/2021	1.00%	-	2,411,000	-	2,411,000
Various public improvements	2/24/2021	4/29/2021	1.50%	-	700,000	-	700,000
Total				<u>\$ 8,084,500</u>	<u>\$ 9,416,000</u>	<u>\$ 8,084,500</u>	<u>\$ 9,416,000</u>
<b>Water Fund</b>							
Various public improvements	12/15/2020	4/29/2021	1.00%	-	\$ 760,000	-	\$ 760,000
<b>Electric Fund</b>							
Various public improvements	7/31/2019	4/30/2020	2.00%	\$ 1,596,500	-	\$ 1,596,500	-
Various public improvements	4/29/2020	4/29/2021	2.10%	-	744,690	-	744,690
Various public improvements	4/29/2020	4/29/2021	2.05%	-	851,810	-	851,810
Total				<u>\$ 1,596,500</u>	<u>\$ 1,596,500</u>	<u>\$ 1,596,500</u>	<u>\$ 1,596,500</u>

The schedule of changes in bond anticipation notes within the government-wide governmental activities during the year ended February 28, 2021 is as follows:

Purpose	Original Issue Date	Maturity Date	Interest Rate	Balance March 1, 2019	New Issues	Redemptions	Balance February 29, 2021
<b>Governmental Activities</b>							
Various public improvements	12/15/2020	4/29/2021	1.00%	\$ 1,835,000	-	\$ 85,000	\$ 1,750,000
Various public improvements	2/24/2021	4/29/2021	1.50%	-	515,000	-	515,000
Total				<u>\$ 1,835,000</u>	<u>\$ 515,000</u>	<u>\$ 85,000</u>	<u>\$ 2,265,000</u>

The Village has recorded bond anticipation notes payable within the government-wide governmental activities when it has demonstrated the ability to consummate refinancing, such as obtaining permanent financing or renewal of the notes prior to the issuance of the financial statements.

#### g. Long-term liabilities

The follow table summarizes the changes in the Village's long-term liabilities for the year ended February 28, 2021:

	Year Ended February 28, 2021				
	Balance March 1, 2020	New Issues/ Additions	Maturities, Refundings/ Payments	Balance February 28, 2021	Due Within On Year
<b>Governmental activities</b>					
Bonds payable	\$ 35,425,486	\$ 1,330,900	\$ 5,990,935	\$ 30,765,451	\$ 4,933,660
Plus unamortized premium on bonds	1,278,290	146,960	186,062	1,239,188	186,062
	<u>36,703,776</u>	<u>1,477,860</u>	<u>6,176,997</u>	<u>32,004,639</u>	<u>5,119,722</u>
<b>Other non-current liabilities</b>					
Bond anticipation notes payable	1,835,000	515,000	85,000	2,265,000	2,265,000
Claims payable	6,205,404	1,341,223	1,539,851	6,006,776	1,523,300
Tax certiorari payable	938,926	44,936	99,572	884,290	39,739
Compensated absences	24,038,145	2,323,214	2,400,000	23,961,359	2,396,146
Retirement incentives and other pension liabilities	2,653,623	-	658,859	1,994,764	664,833
Net pension liability	9,408,780	25,079,773	2,728,441	31,760,112	-
Pension liability - length of service award program	11,796,037	3,643,952	427,814	15,012,175	-
Other postemployment benefit obligations	168,270,567	50,512,306	3,903,941	214,878,932	-
	<u>225,146,482</u>	<u>83,460,404</u>	<u>11,843,478</u>	<u>296,763,408</u>	<u>6,889,018</u>
Governmental activities long-term liabilities	<u>\$ 261,850,258</u>	<u>\$ 84,938,264</u>	<u>\$ 18,020,475</u>	<u>\$ 328,768,047</u>	<u>\$ 12,008,740</u>

# Incorporated Village of Freeport, New York

## Notes to Financial Statements February 28, 2021

### Note 3 - Detailed Notes on All Funds - Continued

#### g. Long-term liabilities - Continued

	Year Ended February 28, 2021				
	Balance March 1, 2020	New Issues/ Additions	Maturities, Refundings/ Payments	Balance February 28, 2021	Due Within On Year
Business-type activities					
Bonds payable	\$ 46,114,519	\$ 32,134,100	\$ 34,499,084	\$ 43,749,535	\$ 4,631,340
Plus unamortized premium on bonds	2,152,009	-	1,711,413	440,596	69,262
	<u>48,266,528</u>	<u>32,134,100</u>	<u>36,210,497</u>	<u>44,190,131</u>	<u>4,700,602</u>
Other non-current liabilities					
Compensated absences	3,248,777	268,156	302,500	3,214,433	346,591
Retirement incentives and other pension liabilities	913,436	-	240,196	673,240	234,274
Net pension liability	2,278,919	10,300,424	4,344,169	8,235,174	-
Other postemployment benefit obligations	56,616,762	11,447,917	884,771	67,179,908	-
	<u>63,057,894</u>	<u>22,016,497</u>	<u>5,771,636</u>	<u>79,302,755</u>	<u>580,865</u>
Business-type activities long-term liabilities	<u>\$ 111,324,422</u>	<u>\$ 54,150,597</u>	<u>\$ 41,982,133</u>	<u>\$ 123,492,886</u>	<u>\$ 5,281,467</u>

	Year Ended February 28, 2021			
	Balance March 1, 2020	New Issues/ Additions	Maturities, Refundings/ Payments	Balance February 28, 2021
Component Unit:				
Other postemployment benefit obligations	<u>\$ 576,029</u>	<u>\$ 63,471</u>	<u>\$ 186,089</u>	<u>\$ 453,411</u>

#### h. General Obligation Bonds Payable

General obligation bonds payable at February 28, 2021 are comprised of the following:

Purpose	Original Issue Amount	Final Maturity	Interest Rates	Governmental Activities	Water Fund	Electric Fund
2011 Series A	\$ 4,680,000	5/1/2022	3.250% - 3.625%	\$ 400,000	\$ 100,000	\$ -
2011 Series B - Refunding	8,350,000	6/1/2024	3.000% - 4.000%	500,497	189,605	114,897
2012 Series A - Refunding	48,680,000	1/15/2032	3.000% - 5.000%	-	-	2,290,000
2013 Series A	5,965,000	5/1/2022	2.000%	1,445,000	-	-
2014 Series A	6,925,000	5/2/2028	3.000%	3,355,000	620,000	-
2014 Series A - Refunding	8,490,000	5/3/2024	2.125% - 4.000%	1,257,450	257,550	-
2015 Series A - Refunding	8,390,000	2/28/2026	2.250% - 5.000%	2,210,562	2,091,226	128,205
2016 Series A - Refunding	13,730,000	5/1/2028	3.000% - 5.000%	7,329,430	465,319	2,540,251
2016 Series B - Refunding	1,350,000	5/1/2023	1.750% - 2.250%	-	-	775,000
2017 Series A	11,530,500	11/1/2031	2.125% - 3.000%	8,499,763	141,725	888,491
2019 Series A	5,880,000	4/15/2037	1.500% - 3.000%	4,436,849	1,108,003	145,163
2020 Series A - Refunding	33,465,000	5/1/2032	0.190% - 1.819%	1,330,900	476,100	31,418,000
				<u>30,765,451</u>	<u>5,449,528</u>	<u>38,300,007</u>
Unamortized premium on bonds				<u>1,239,188</u>	<u>128,959</u>	<u>311,637</u>
				<u>\$ 32,004,639</u>	<u>\$ 5,578,487</u>	<u>\$ 38,611,644</u>

# Incorporated Village of Freeport, New York

## Notes to Financial Statements

February 28, 2021

### Note 3 - Detailed Notes on All Funds - Continued

#### *h. General Obligation Bonds Payable - Continued*

The annual requirements to amortize all bonded debt outstanding within the governmental activities as of February 28, 2021 are as follows:

Year	Governmental Activities		
	Principal	Interest	Total
2022	\$ 4,933,660	\$ 820,990	\$ 5,754,650
2023	5,051,549	688,171	5,739,720
2024	3,654,300	566,050	4,220,350
2025	3,786,221	453,060	4,239,281
2026	3,372,606	338,593	3,711,199
2027-2031	6,974,328	898,195	7,872,523
2032-2036	2,345,591	222,208	2,567,799
2037-2038	647,196	19,534	666,730
	\$ 30,765,451	\$ 4,006,801	\$ 34,772,252

The annual requirements to amortize all bonded debt outstanding within the business-type activities as of February 28, 2021 are as follows:

Year	Business-Type Activities		
	Principal	Interest	Total
2022	\$ 4,631,340	\$ 748,568	\$ 5,379,908
2023	4,808,452	580,465	5,388,917
2024	4,655,700	520,970	5,176,670
2025	4,468,780	455,776	4,924,556
2026	4,272,394	384,857	4,657,251
2027-2031	16,880,672	1,111,323	17,991,995
2032-2036	3,849,409	90,903	3,940,312
2037-2038	182,788	5,517	188,305
	\$ 43,749,535	\$ 3,898,379	\$ 47,647,914

The outstanding general obligation bonds and bond anticipation notes are direct obligations of the Village for which its full faith and credit are pledged and are payable from taxes levied on all taxable real property within the Village.

# Incorporated Village of Freeport, New York

## Notes to Financial Statements February 28, 2021

### Note 3 - Detailed Notes on All Funds - Continued

*i. Claims Payable and Tax Certiorari Payables*

The government-wide financial statements reflect workers' compensation and general liability claim liabilities. These liabilities are based upon estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported, but not settled, and of claims that have been incurred but not reported (IBNR's). The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect settlements, claim frequency and other economic and social factors. A provision for inflation in the calculation of estimates future costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and other facts that are considered to be appropriate modifiers of past experience.

An analysis of the unpaid claims liabilities is as follows:

	Workers' Compensation Benefits	General Liability
Balance - beginning of year	\$ 4,540,322	\$ 1,665,082
Provision for claims and claims adjustment expenses	498,639	842,584
Claims and claims adjustment expenses paid	(750,053)	(789,798)
Balance - end of year	\$ 4,288,908	\$ 1,717,868
Due within one year	\$ 708,500	\$ 814,800

This amount has been recorded as an expense and liability in the government-wide financial statements.

The Village's tax certiorari payable includes an estimated liability of \$844,290 for tax certiorari refunds, which are not due and payable at year end. These amounts have been recorded as an expense and liability in the government-wide financial statements.

*j. Compensated Absences*

Village employees are granted vacation and sick leave and earn compensatory absences in varying amounts, the terms of which comply with the current collective bargaining agreements. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave, subject to certain limitations.

# Incorporated Village of Freeport, New York

## Notes to Financial Statements

February 28, 2021

### Note 3 - Detailed Notes on All Funds - Continued

*j. Compensated Absences - Continued*

Estimated vacation, sick leave and compensatory absences accumulated by governmental and business-type activities employees have been reported in the Statement of Net Position. Payment of vacation time and sick leave is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, managements believes that sufficient resources will be made available for the payments of vacation, sick leave and compensatory absences when such payments become due. As of February 28, 2021, the value of compensated absences in the governmental activities and business type activities was \$23,961,359 and \$3,465,908, respectively.

*k. Retirement Incentives and Other Pension Liabilities*

The New York State Legislature enacted Chapter 57 of the Laws of 2010. This Chapter authorized local governments, at their options, to amortize a portion of their respective New York State and Local Employee's Retirement System (ERS) and New York State and Local Police and Fire Retirement System's (PFRS) contributions beginning in 2010. The maximum amortization amounts each year going forward will be determined by the difference between each employer's effective contribution rate as compared to the ERS and PFRS overall graded rate. The amortized amounts are to be paid in equal annual installments over a ten-year period, although amounts may be prepaid at any time. Interest is charged at rates which approximate a market rate of return on taxable fixed rate securities of a comparable duration and will be adjusted annually. The Village has elected to amortize the maximum allowable ERS and PFRS contributions in each of the fiscal years since this option was first offered which is offered in the table below:

	Original Amount Amortized	Current Year Payments	Balance Due	Due Within One Year
2011 ERS	\$ 219,327	\$ 29,388	\$ -	\$ -
2012 ERS	810,977	91,736	95,177	95,177
2012 PFRS	473,278	53,536	55,544	55,544
2013 ERS	1,066,045	114,368	239,132	117,799
2013 PFRS	745,692	80,000	167,272	82,400
2014 ERS	1,498,544	157,335	507,505	163,109
2014 PFRS	1,247,658	130,994	422,539	135,801
2015 ERS	658,090	66,573	287,933	68,670
2015 PFRS	689,872	69,788	301,839	71,986
2016 ERS	596,628	58,486	321,828	60,364
2016 PFRS	362,126	35,498	195,336	36,639
2017 PFRS	117,786	11,354	73,899	11,618
	<u>\$ 8,486,023</u>	<u>\$ 899,056</u>	<u>\$ 2,668,004</u>	<u>\$ 899,107</u>

# Incorporated Village of Freeport, New York

## Notes to Financial Statements

February 28, 2021

### Note 3 - Detailed Notes on All Funds - Continued

*k. Retirement Incentives and Other Pension Liabilities - Continued*

The current year payments were charged to retirement expenditures in the funds as follows:

Fund	ERS	PFRS	Total
General	\$ 277,690	\$ 381,170	\$ 658,860
Water	45,004	-	45,004
Electric	195,192	-	195,192
	\$ 517,886	\$ 381,170	\$ 899,056

*l. Pension Plans*

Plan Description and Benefits Provided

The Village participates in the ERS and PFRS, which are collectively referred to as New York State and Local Retirement System (the System). These are cost-sharing, multiple-employer retirement systems. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (Fund), which was established to hold all net assets and record changes in plan net position allocated 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. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. System benefits are established under the provisions of the New York State Retirement and Social Security Law (NYSRSSL). 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 System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Contributions

Most members of the System who joined on or before July 26, 1976 are enrolled in a noncontributory plan. Members of the System who joined after July 26, 1976 are enrolled in a contributory plan which requires a 3% contribution of their salary. As a result of Article 19 of the NYSRSSL, eligible Tier 3 and Tier 4 employees with a membership date after July 26, 1976 who have ten or more years of membership or credited service with the System are not required to contribute. Generally, members of the System may retire at 55; however, members of Tiers 2, 3, 4, and 5 will receive a reduced benefit if they retire before 62 with less than 30 years of service. Tier 5 members must be 62 years of age with at least 10 years of service credit to retire with full benefits, and employees with less than five years of service may withdraw and obtain a refund, including interest, of the accumulated employee contributions. The full benefit age for Tier 6 is 63 for System members. Tier 6 members with 10 years of service or more can retire as early as age 55 with reduced benefits. The contribution rate varies from 3% to 6% depending on salary. Members are required to contribute for all years of service. The average contribution rate for ERS and PFRS for the fiscal year ended March 31, 2020 was approximately 14.6% and 23.5% of payroll, respectively. Under the authority of the NYSRSSL, 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.

# Incorporated Village of Freeport, New York

## Notes to Financial Statements

February 28, 2021

### Note 3 - Detailed Notes on All Funds - Continued

#### *I. Pension Plans - Continued*

##### Contributions - Continued

Contributions made to the Systems for the current and two preceding years were as follows:

	ERS	PFRS	
2021	\$ 2,728,441	\$ 4,344,169	
2020	2,661,144	3,916,278	
2019	2,691,932	4,002,982	

These contributions were equal to the 100% of the actuarially required contributions for each respective year.

##### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At February 28, 2021, the Village reported a liability of \$31,760,112 in the governmental activities statement of net position and \$8,235,174 in the business-type activities statement of net position for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At February 28, 2021, the Village's proportion was .0685169% in the Employee Retirement System and .4088284% in the Police and Fire Retirement System.

For the year ended February 28, 2021, the Village recognized pension expense of \$11,719,339 in the governmental activities and \$2,763,051 in the business-type activities. At February 28, 2021, the Village reported deferred outflows of resources and deferred inflows of resources related to ERS and PFRS from the following sources:

	Governmental Activities			
	ERS		PFRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 583,155	\$ -	\$ 1,455,088	\$ 366,012
Changes of assumptions	199,510	172,274	1,867,785	
Net differences between projected and actual investment earnings on pension plan investments	5,079,574	-	9,840,472	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	121,673	1,516,494	1,806
City contributions subsequent to the measurement date	1,365,867	-	3,982,155	-
Total	\$ 7,228,106	\$ 293,947	\$ 18,661,994	\$ 367,818

# Incorporated Village of Freeport, New York

## Notes to Financial Statements February 28, 2021

### Note 3 - Detailed Notes on All Funds - Continued

#### *I. Pension Plans - Continued*

#### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

	Business-Type Activities	
	ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 484,673	\$ -
Changes of assumptions	165,817	143,180
Net differences between projected and actual investment earnings on pension plan investments	4,221,751	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	101,125
City contributions subsequent to the measurement date	1,135,203	-
Total	\$ 6,007,444	\$ 244,305

Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending February 28, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Governmental Activities		Business- Type Activities
	ERS	PFRS	ERS
Year ending February 28,			
2022	\$ 908,503	\$ 3,237,323	\$ 755,078
2023	1,385,841	3,405,295	1,151,805
2024	1,808,134	4,072,885	1,502,782
2025	1,465,814	3,344,659	1,218,271
2026	-	251,859	-
Total	\$ 5,568,292	\$ 14,312,021	\$ 4,627,936

# Incorporated Village of Freeport, New York

## Notes to Financial Statements

February 28, 2021

### Note 3 - Detailed Notes on All Funds - Continued

#### *I. Pension Plans - Continued*

##### Actuarial Assumptions

The total pension liability at March 31, 2020 was determined by using an actuarial valuation as of April 1, 2019, with update procedures used to roll forward the total pension liability to March 31, 2020. Significant actuarial assumptions used in the valuation were as follows:

Actuarial Cost Method	Entry age normal
Inflation Rate	2.5 percent
Salary Scale	
ERS	3.8 percent, indexed by service
PFRS	4.5 percent, indexed by service
Investment rate of return, including inflation	6.8 percent compounded annually, net of expenses
Cost of living adjustment	1.3 percent
Decrement	Based on FY 2011-2015 experience
Mortality improvement	Society of Actuaries' Scale MP-2018

Annuitant mortality rates are based on the April 1, 2010 to March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018.

The actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2020 are summarized below.

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate</u>
Domestic equity	36.00%	4.05%
International equity	14.00%	6.15%
Private equity	10.00%	6.75%
Real estate	10.00%	4.95%
Absolute return strategies	2.00%	3.25%
Opportunistic portfolio	3.00%	4.65%
Real assets	3.00%	5.95%
Bonds and mortgages	17.00%	0.75%
Cash	1.00%	0.00%
Inflation-indexed bonds	4.00%	0.50%
	<u>100.00%</u>	

# Incorporated Village of Freeport, New York

## Notes to Financial Statements

February 28, 2021

### Note 3 - Detailed Notes on All Funds - Continued

#### I. Pension Plans - Continued

##### Discount Rate

The discount rate used to calculate the total pension liability was 6.8%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

##### Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Village's proportionate share of the net pension liability calculated using the discount rate of 6.8%, as well as what the Village's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (5.8%)	Current Discount (6.8%)	1% Increase (7.8%)
Village's proportionate share of the net pension liability			
Business-Type Activities	\$ 15,113,870	\$ 8,235,174	\$ 1,899,867
Governmental Activities	57,256,023	31,760,112	8,717,052
	\$ 72,369,893	\$ 39,995,286	\$ 10,616,919

##### Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2020 were as follows:

	(Dollars in Thousands)		
	Employee's Retirement System	Police and Fire Retirement System	Total
Employers' total pension liability	\$ 194,596,261	\$ 35,309,017	\$ 229,905,278
Plan net position	(168,115,682)	(29,964,080)	(198,079,762)
Employers' net pension liability	\$ 26,480,579	\$ 5,344,937	\$ 31,825,516
Ratio of plan net position to the employers' total pension liability	86.4%	84.9%	86.2%

# Incorporated Village of Freeport, New York

## Notes to Financial Statements

February 28, 2021

### Note 3 - Detailed Notes on All Funds - Continued

*m. Other Postemployment Benefit Obligations Payable*

In addition to providing pension benefits, the Village provides certain health care benefits for retired employees through a single employer defined benefit plan. A summary of active employees and retired employees covered under this benefit plan as of February 28, 2021 is as follows:

Active employees	336
Retired employees	343
	679

The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the Village may vary according to the length of service. The cost of providing postemployment health care benefits is shared between the Village and the retired employee. Substantially all of the Village's employees may become eligible for those benefits if they reach normal retirement age while working for the Village. The cost of retiree health care benefits is recognized as expenditure as claims are paid in the fund financial statements. The Village is not required to fund the benefit plan other than the pay-as-you-go amount necessary to provide current benefits to retirees. The benefit plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the benefit plan.

At February 28, 2021, the Village reported a liability of \$214,878,932 and \$67,179,908 for its OPEB liability in the governmental activities and business-type activities, respectively. The OPEB liability was measured as of March 1, 2020 by an actuarial valuation using census data information as of February 28, 2021. For the year ended February 28, 2021, the Village recognized OPEB expense of \$50,512,306 and \$11,447,917 in the governmental activities and business-type activities, respectively. At February 28, 2021, the Village reported deferred outflows of resources of resources and deferred inflows of resources related to OPEB from the following sources:

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,214,793	\$ 3,671,738
Change of assumptions	58,756,024	-
Total	\$ 59,970,817	\$ 3,671,738

	Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 379,794	\$ 1,147,935
Change of assumptions	18,369,527	-
Total	\$ 18,749,321	\$ 1,147,935

# Incorporated Village of Freeport, New York

## Notes to Financial Statements

February 28, 2021

### Note 3 - Detailed Notes on All Funds - Continued

*m. Other Postemployment Benefit Obligations Payable - Continued*

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Governmental Activities	Business Type-Activities	Total
Year ending February 28,			
2022	\$ 10,175,796	\$ 3,181,369	\$ 13,357,165
2023	10,175,796	3,181,369	13,357,165
2024	10,175,796	3,181,369	13,357,165
2025	10,320,020	3,226,460	13,546,480
2026	10,320,849	3,226,719	13,547,568
Thereafter	5,130,822	1,604,100	6,734,922
	<u>\$ 56,299,079</u>	<u>\$ 17,601,386</u>	<u>\$ 73,900,465</u>

The total OPEB liability at February 28, 2021 was determined using the following actuarial assumptions:

Assumptions	Factor
Discount rate	1.21%
Valuation date	March 31, 2020
Salary Scale	3.00% per annum
Mortality	RP-2006 with MP-2020 projection
Marital rate	70% of males and 50% of females are assumed married. Wife is assumed to be the same age as the husband.
Inflation rate	3.00% per annum
Health care cost trend rate assumed increase	Year 1 - 8.0%, Year 2 - 7.5%, Year 3 - 7.0%, Year 4 - 6.5% Year 5 - 6.0%, Year 6 - 5.5%, Year 7+ - 5.0%

Actuarial valuations involve estimates and assumptions about the probability of events far into the future and are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. These calculations are designed to reduce short-term volatility in actuarial accrued liabilities. Projected benefits are based on the types of benefits provided at the time of each valuation and on the cost sharing provisions then in effect.

# Incorporated Village of Freeport, New York

## Notes to Financial Statements February 28, 2021

### Note 3 - Detailed Notes on All Funds - Continued

#### *m. Other Postemployment Benefit Obligations Payable - Continued*

Changes in the net OPEB liability are as follows:

	Governmental Activities	Business-type Activities	Total
Balance as of February 29, 2020	\$ 168,270,567	\$ 56,616,762	\$ 224,887,329
Changes for the year			
Service cost	7,616,321	1,726,135	9,342,456
Interest	4,462,062	1,011,265	5,473,327
Difference between expected and actual experience	1,516,629	343,723	1,860,352
Change in assumptions	36,917,294	8,366,794	45,284,088
Benefit payments	(3,903,941)	(884,771)	(4,788,712)
Net changes	<u>46,608,365</u>	<u>10,563,146</u>	<u>57,171,511</u>
Balance as of February 28, 2021	<u>\$ 214,878,932</u>	<u>\$ 67,179,908</u>	<u>\$ 282,058,840</u>

The following presents the OPEB liability of the Plan as of February 28, 2021 using current health care cost trend rates as well as what the OPEB liability would be if it were calculated using health care cost trend rates 1% lower or 1% higher than the current rates:

	1% Decrease	Current Rates	1% Increase
OPEB liability			
Business-Type Activities	\$ 54,067,176	\$ 67,179,908	\$ 83,239,980
Governmental Activities	<u>172,937,011</u>	<u>214,878,932</u>	<u>266,247,922</u>
	<u>\$ 227,004,187</u>	<u>\$ 282,058,840</u>	<u>\$ 349,487,902</u>

The following presents the OPEB liability of the plan as of February 28, 2021 calculated using the discount rate of 1.21%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 0.21%	Current Discount 1.21%	1% Increase 2.21%
OPEB liability			
Business-Type Activities	\$ 75,807,379	\$ 67,179,908	\$ 58,552,478
Governmental Activities	<u>242,474,314</u>	<u>214,878,932</u>	<u>187,283,511</u>
	<u>\$ 318,281,693</u>	<u>\$ 282,058,840</u>	<u>\$ 245,835,989</u>

# Incorporated Village of Freeport, New York

## Notes to Financial Statements

February 28, 2021

### Note 3 - Detailed Notes on All Funds - Continued

*n. Length of Service Award Program*

The Village, pursuant to Article 11-A of the General Municipal Law of the State of New York and legislative resolution, has established a Length of Service Awards Program (“Program”) for volunteer firefighters. This Program is a single employer defined benefit plan established as a grantor/rabbi trust and, as such, the assets are subject to the claims of the Village’s general creditors. The Program is accounted for in the Village’s financial statements within the General Fund.

Active volunteer firefighters, upon attainment of age 18, and upon earning 50 or more points in a calendar year after 1999 under provisions of the Program point system, are eligible to become participants of the Program. Points are granted for the performance of certain activities and point values. A participant may also receive credit for five years of firefighting service rendered prior to the establishment of the Program. Participants are fully vested upon attainment of entitlement age, upon death or upon general disablement and after earning five years of service credit. A participant, upon attainment of entitlement age (the later of age 62 or the participant’s age after earning 50 program points), shall be able to receive their service award, payable in the form of a ten-year certain and continuous monthly payment life annuity. The monthly benefits are \$20 for each year of service credit, up to a maximum of 30 years. The benefits and refunds of the plan are recognized when due and payable in accordance with the terms of the plan. The Program also provides disability and death benefits. The trustees of the Program, which are the members of the Village Board, are authorized to invest the funds in authorized investment vehicles. Administrative costs are paid by the Village from the General Fund. Separate financial statements are not issued by the Program.

At the December 31, 2020 measurement date, the following participants were covered by the benefits terms:

Inactive participants currently receiving benefit payments	73
Inactive participants entitled to but not yet receiving benefit payments	111
Active participants	233
	417

The General Municipal Law of the State of New York requires the Village to contribute an actuarially determined contributions on an annual basis. The actuarially determined contribution shall be appropriated annually by the Village’s Board of Trustees.

The total pension liability at the December 31, 2020 measurement date was determined using an actuarial valuation as of that date.

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry age normal
Inflation Rate	2.5 percent
Salary Scale	None assumed

Mortality rates were based on the RP-2014 Male Mortality Table without projection for mortality improvements.

# Incorporated Village of Freeport, New York

## Notes to Financial Statements February 28, 2021

### Note 3 - Detailed Notes on All Funds - Continued

*n. Length of Service Award Program - Continued*

The discount rate used to measure the total pension liability was 1.93%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2020. In describing this index, S&P Down Jones Indices notes that the index consists of bonds in the S&P Municipal Bond Index with maturity of 20 years and a rating of at least Aa2 by Moody's Investors Services, AA by Fitch or AA by Standard & Poor's Rating Services.

The Village's change in the total pension liability for the Program's year ended December 31, 2020 is as follows:

Total pension liability - length of service award program beginning of year	<u>\$ 11,796,037</u>
Changes for the year	
Service cost	255,753
Interest	385,915
Changes of assumptions or other inputs	2,836,067
Differences between expected and actual experience	166,217
Benefit payments	<u>(427,814)</u>
Net changes	<u>3,216,138</u>
Total pension liability - length of service award program end of year	<u><u>\$ 15,012,175</u></u>

The following presents the total pension liability of the Village as of the December 31, 2020 measurement date, calculated using the discount rate of 1.93%, as well as what the Village's total pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point high than the current rate:

	1% Decrease 0.93%	Current Discount 1.93%	1% Increase 2.93%
Total pension liability - length of service award program	<u>\$ 17,793,342</u>	<u>\$ 15,012,175</u>	<u>\$ 12,803,711</u>

At February 28, 2021, the Village reported deferred outflows of resources and deferred inflows of resources related to the Program from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 269,846	\$ -
Changes of assumptions or other inputs	3,720,758	616,435
Benefits payments and administrative expenses subsequent to the measurement date	<u>126,533</u>	<u>-</u>
	<u><u>\$ 4,117,137</u></u>	<u><u>\$ 616,435</u></u>

# Incorporated Village of Freeport, New York

## Notes to Financial Statements

February 28, 2021

### Note 3 - Detailed Notes on All Funds - Continued

*n. Length of Service Award Program - Continued*

Benefit payments and administrative expenses subsequent to the measurement date will be recognized as a reduction of the Program during the year ended February 28, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Program will be recognized in pension expense as follows:

Year ending February 28,	
2022	\$ 357,364
2023	357,364
2024	357,364
2025	357,364
2026	357,364
Thereafter	<u>1,587,349</u>
	<u><u>\$ 3,374,169</u></u>

*o. Fund Balance*

A summary of the Village's governmental fund balances as of February 28, 2021 is as follows:

	General Fund	Capital Projects Fund	Total
<b>Nonspendable</b>			
Inventories	\$ 335,351	\$ -	\$ 335,351
Prepaid expenditures	493,242	-	493,242
Total nonspendable	<u>828,593</u>	<u>-</u>	<u>828,593</u>
<b>Restricted</b>			
Debt service	828,527	-	828,527
Pension benefits	5,981,043	-	5,981,043
Total restricted	<u>6,809,570</u>	<u>-</u>	<u>6,809,570</u>
<b>Assigned</b>			
Purchases on order			
General government support	<u>14,834</u>	<u>-</u>	<u>14,834</u>
<b>Unassigned</b>			
	<u>13,521,445</u>	<u>(3,688,114)</u>	<u>9,833,331</u>
Total fund balances	<u><u>\$ 21,174,442</u></u>	<u><u>\$ (3,688,114)</u></u>	<u><u>\$ 17,486,328</u></u>

# Incorporated Village of Freeport, New York

## Notes to Financial Statements February 28, 2021

### Note 4 - Contingencies

#### *a. Litigation and Claims*

The Village is involved in various claims and lawsuits, arising in the normal course of operations. Management believes that any financial responsibility that may be incurred in settlement of such claims and lawsuits would not be material to the Village's financial position.

The Village is involved in litigation occurring before the Federal Energy Regulatory Commission and the New York Public Service Commission involving the New York Association of Public Power ("NYAPP") that may increase rates for electric transmission service which would be paid by customers of the Freeport Electric System.

The Village is also a defendant in numerous tax certiorari proceedings, the results of which cannot be determined at this time. Any future refunds resulting from adverse settlements will be funded in the year the payments are made.

#### *b. Other Contingencies*

The Village participates in various Federal grant programs. These programs are subject to program compliance audits pursuant to the Single Audit Act. The amount of expenditures/expenses that may be disallowed by the granting agencies cannot be determined at this time, although the Village anticipates such amounts, if any, to be immaterial.

#### *c. Risk Management*

The Village maintains a self-insurance risk management program for liability and casualty, property damage, workers' compensation and unemployment. The Village uses a third party administrator to management the claims related to general liability and workers' compensation.

The Village is exposed to various risks of loss related to torts; theft, damage and destruction of assets, errors and omissions; injuries to employees; life and health of employees; and natural disasters. The Village maintains commercial insurance for property damage up to a maximum of approximately \$63.95 million for the Electric Plan and \$67.27 for all other municipally owned property, subject to deductibles ranging from \$5,000 to \$100,000 per occurrence. The Village also purchases commercial insurance for general liability claims with coverage up to approximately \$5 million in total with various limits per occurrence, subject to sub-limits up to \$1 million.

The Village is self-insured for workers' compensation insurance benefits. The Village does not provide for excess workers' compensation insurance.

There have been no significant reductions in insurance coverage as compared to the prior year, and there were no settlements in excess of insurance coverage over the last three years.

The Village estimates its potential claims under its self-insurance risk management program after consulting with outside professionals and legal counsel. The Village has recorded the liability for these claims in its government-wide financial statements. The estimated outstanding workers' compensation and general liability claims outstanding at February 28, 2021 were \$4,288,908 and \$1,717,868, respectively.

# Incorporated Village of Freeport, New York

## Notes to Financial Statements February 28, 2021

### **Note 4 - Contingencies - Continued**

#### *d. Tax Abatements*

The Village has real property tax abatement agreements with housing development and redevelopment companies organized pursuant to Article V or Article XI of the Private Housing Finance Law of the State of New York ("PHFL") for the purpose of creating or preserving affordable housing in the Village.

Generally, these agreements provide for a 100 percent abatement of real property taxes in exchange for a payment in lieu of taxes ("PILOT") and continue until the property no longer provides the required affordable housing or no longer complies with the requirements of the PHFL.

The Village has no material tax abatements as of and for the year ending February 28, 2021.

### **Note 5 - Subsequent Events**

In April 2021, the Village issued Series 2021A public improvement serial bonds totaling \$7,512,350. The Series 2021A public improvement bonds have interest rates ranging from 0.15% - 2.25% and mature in April 2041.

In April 2021, the Village issued Series 2021B public improvement serial bonds totaling \$2,100,000. The Series 2021B public improvement bonds have interest rates ranging from 1.00% - 1.78% and mature in April 2029.

In April 2021, the Village issued Series 2021B bond anticipation notes totaling \$3,730,500. The Series 2021B bond anticipation notes have an interest rate of 1.50% and mature April 28, 2022.

In April 2021, the Village issued Series 2021C bond anticipation notes totaling \$700,000. The Series 2021C bond anticipation notes have an interest rate of 1.00% and mature April 28, 2022.

In November 2021, the Village issued Series 2021D bond anticipation notes totaling \$5,140,075. The series 2021D bond anticipation notes have an interest rate of 1.50% and mature November 16, 2022.

### **Note 6 - Accounting Standards Issued But Not Yet Implemented**

GASB Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and the recognition of inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement, as delayed by GASB 95, are effective for reporting periods beginning after June 15, 2021.

# Incorporated Village of Freeport, New York

## Notes to Financial Statements February 28, 2021

### Note 6 - Accounting Standards Issued But Not Yet Implemented - Continued

GASB Statement No. 91, *Conduit Debt Obligations*. This statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice. This statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer, establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations, and improves note disclosures. The requirements for this statement, as delayed by GASB 95, are effective for reporting periods beginning after December 15, 2021.

GASB Statement No. 92, *Omnibus 2020*. This statement addresses a variety of topics including leases, intra-entity transfers, fiduciary activities, public entity risk pools/reinsurance recoveries, fair value measurements, and derivative instrument technology. The requirements of this statement, as delayed by GASB 95, are effective for periods beginning after June 15, 2021.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. This statement addresses governments that have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions to the reference rate. The objective of this statement is to address accounting and financial reporting implications that result from the replacement of IBOR, such as providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment, clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate, removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, and clarifying the definition of reference rate. The removal of the London IBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. The requirements relating to lease modifications, as delayed by GASB 95, are effective for reporting periods beginning after June 15, 2021. All other requirements of this statement are effective for reporting periods beginning after June 15, 2020.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as an infrastructure or other capital assets (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which GASB defines in this statement as a PPP in which: (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

# Incorporated Village of Freeport, New York

## Notes to Financial Statements February 28, 2021

### Note 6 - Accounting Standards Issued But Not Yet Implemented - Continued

This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this statement are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement: (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Under this statement, a government generally should recognize a right-to-use subscription asset and a corresponding subscription liability. The requirements of this statement are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Service Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this statement are to (1) increase consistency and comparability relating to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution other postemployment benefit plan, or another employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board would typically perform. The requirements of this statement that: (1) exempt primary governments that perform duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution other postemployment benefit plans, or other employee benefit plans; and (2) limit the applicability of the financial burden criteria, are effective immediately. The requirements of this statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this statement that provide for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021.

Management has not estimated the extent of the potential impact, if any, of these statements on the Village's financial statements.

# Incorporated Village of Freeport, New York

## Required Supplementary Information - Schedule of Other Postemployment Benefits Liability Years Ended February 28

	Governmental Activities		
	2021	2020	2019
Beginning of year	\$ 168,270,567	\$ 122,346,544	\$ 122,140,697
Changes for the year			
Service cost	7,616,321	5,153,679	5,485,270
Interest	4,462,062	5,255,789	4,840,743
Difference between expected and actual experience	1,516,629	-	-
Change in assumptions	36,917,294	39,684,835	(6,299,261)
Benefit payments	(3,903,941)	(4,170,280)	(3,820,905)
Net changes	46,608,365	45,924,023	205,847
End of year	<u>\$ 214,878,932</u>	<u>\$ 168,270,567</u>	<u>\$ 122,346,544</u>
Covered payroll	\$ 30,282,950	\$ 28,085,796	\$ 28,640,343
OPEB liability as a percentage of covered payroll	709.57%	599.13%	427.18%
	Business-type Activities		
	2021	2020	2019
Beginning of year	\$ 56,616,762	\$ 40,484,600	\$ 40,961,026
Changes for the year			
Service cost	1,726,135	1,293,541	1,392,425
Interest	1,011,265	1,724,367	1,607,737
Difference between expected and actual experience	343,723	-	(2,277,153)
Change in assumptions	8,366,794	14,374,766	-
Benefit payments	(884,771)	(1,260,512)	(1,199,435)
Net changes	10,563,146	16,132,162	(476,426)
End of year	<u>\$ 67,179,908</u>	<u>\$ 56,616,762</u>	<u>\$ 40,484,600</u>
Covered payroll	\$ 9,467,684	\$ 9,449,822	\$ 9,477,120
OPEB liability as a percentage of covered payroll	709.57%	599.13%	427.18%

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.*

## Incorporated Village of Freeport, New York

### Required Supplementary Information Schedule of Proportionate Share of the Net Pension Liability Years Ended February 28

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>New York State and Local Employees' Retirement System</b>						
Village's proportion of the net pension liability	0.0685169%	0.0697882%	0.0709855%	0.0716054%	0.0721038%	0.0716503%
Village's proportionate share of the net pension liability	\$ 18,143,667	\$ 4,944,704	\$ 2,291,019	\$ 6,728,204	\$ 11,572,857	\$ 2,420,522
Village's covered payroll	\$ 19,003,706	\$ 18,631,084	\$ 18,523,319	\$ 18,271,244	\$ 18,062,719	\$ 17,926,137
Village's proportionate share of the net pension liability as a percentage of its covered payroll	95.47%	26.54%	12.37%	36.82%	64.07%	13.50%
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	90.70%	90.70%	97.90%
<b>New York State and Local Police and Fire Retirement System</b>						
Village's proportion of the net pension liability	0.4088284%	0.4020716%	0.3914940%	0.3824851%	0.3836998%	0.3546445%
Village's proportionate share of the net pension liability	\$ 21,851,619	\$ 6,742,995	\$ 3,957,053	\$ 7,927,584	\$ 11,360,534	\$ 976,193
Village's covered payroll	\$ 18,307,412	\$ 17,948,443	\$ 17,497,658	\$ 16,841,964	\$ 16,552,013	\$ 15,685,066
Village's proportionate share of the net pension liability as a percentage of its covered payroll	119.36%	37.57%	22.61%	47.07%	68.64%	6.22%
Plan fiduciary net position as a percentage of the total pension liability	84.86%	95.09%	96.93%	93.50%	90.20%	99.00%

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.*

*See Independent Auditor's Report.*

## Incorporated Village of Freeport, New York

### Required Supplementary Information Schedule of Pension Contributions Years Ended February 28

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>New York State and Local Employees' Retirement System</b>						
Contractually required contribution	\$ 2,728,441	\$ 2,661,144	\$ 2,691,932	\$ 2,800,344	\$ 3,108,439	\$ 3,023,543
Contributions in relation to the contractually required contribution	2,728,441	2,661,144	2,691,932	2,800,344	3,108,439	3,023,543
Contribution deficiency (excess)	-	-	-	-	-	-
Village's covered payroll	19,003,706	18,631,084	18,523,319	18,271,244	18,062,719	17,926,137
Contributions as a percentage of covered payroll	14.36%	14.28%	14.53%	15.33%	17.21%	16.87%
	2021	2020	2019	2018	2017	2016
<b>New York State and Local Police and Fire Retirement System</b>						
Contractually required contribution	\$ 4,344,169	\$ 3,916,278	\$ 4,002,982	\$ 3,796,357	\$ 3,621,910	\$ 3,840,430
Contributions in relation to the contractually required contribution	4,344,169	3,916,278	4,002,982	3,796,357	3,621,910	3,840,430
Contribution deficiency (excess)	-	-	-	-	-	-
City's covered payroll	18,307,412	17,948,443	17,497,658	16,841,964	16,552,013	15,685,066
Contributions as a percentage of covered payroll	23.73%	21.82%	22.88%	22.54%	21.88%	24.48%

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.*

*See Independent Auditor's Report.*