

Incorporated Village of Freeport, New York

Financial Statements and
Supplementary Information

Year Ended February 29, 2020

Incorporated Village of Freeport, New York

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Independent Auditors' 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 aggregate remaining fund information of the Incorporated Village of Freeport, New York ("Village") as of and for the year ended February 29, 2020, and the related notes to the financial statements, which collectively comprise the Village'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.

Auditors' 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, 2019. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for such component unit, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village'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 Village'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 aggregate remaining fund information of the Village, as of February 29, 2020, and the respective changes in financial position 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the schedules included under Required Supplementary Information 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.

Supplementary and Other Information

Our audit for the year ended February 29, 2020 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* for the year ended February 29, 2020 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended February 29, 2020 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended February 29, 2020.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Village as of and for the year ended February 28, 2019 (not presented herein), and have issued our report thereon dated December 20, 2019, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. The combining and individual fund financial statements and schedules for the year ended February 28, 2019 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the 2019 financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2019 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended February 28, 2019.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2020 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

December 24, 2020

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Incorporated Village of Freeport, New York

Management Discussion and Analysis February 29, 2020

As management of the Incorporated Village of Freeport, New York (“Village” or “primary government”), we offer readers of the financial statements this narrative overview and analysis of the financial activities for the year ended February 29, 2020. Please read it in conjunction with the Village’s financial statements.

FINANCIAL HIGHLIGHTS

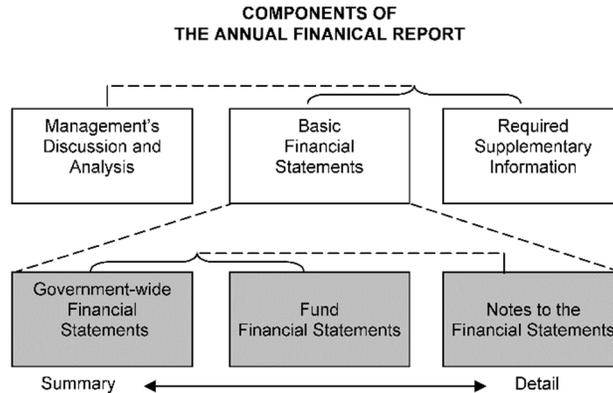
- The combined liabilities and deferred inflows of resources of the Village exceeded its assets and deferred outflows of resources by \$120,790,468 at February 29, 2020. The change in net position was related to a decrease in governmental activities of \$ 7,341,826 and a decrease in business-type activities of \$112,243 for a total combined decrease in net position of \$7,454,069. 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. Increases in the Village’s net pension liability accounts for the second most notable factor in the overall decrease in net position despite the Village’s continued efforts to reduce bonded debt and claims payable and increase investments and capital assets.
- As of February 29, 2020, the Village’s governmental funds reported combined ending fund balances of \$21,058,948. Of this amount, \$807,557 is not in spendable form or is legally or contractually required to remain intact. Restricted for debt service, pensions benefits, and capital projects equates to \$6,339,481. In spendable form and assigned for specific purposes is \$14,834 representing encumbrances. The remaining \$13,897,076 is unassigned and currently available for spending. See Note 3J.
- At year end, the Village’s total fund balance for the General Fund was \$23,589,251, an increase of \$8,282,013 from the prior year. The unassigned fund balance for the General Fund is \$16,427,379, an increase of \$8,164,636 from the prior year.
- The Village’s total bonded debt (inclusive of general obligation bonds and bond anticipation notes (“BAN’s”) accounted for as short-term and long-term debt was \$93,056,005 (exclusive of unamortized premium on bonds), of which \$45,344,986 relates to governmental activities and \$47,711,019 relates to business-type activities. There was a decrease in total bonded debt in the amount of \$2,681,496.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Village’s basic financial statements. The Village’s basic financial statements are comprised of the following: 1) government-wide financial statements, 2) fund financial statements and 3) notes to basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Incorporated Village of Freeport, New York

Management Discussion and Analysis February 29, 2020



Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business. The intent of the government-wide financial statements is to give the reader a long-term view of the Village's financial condition.

The Statement of Net Position presents financial information on all of the Village's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two 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 the Village's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Village's property tax base and the condition of the Village's buildings, roads, drainage and other assets to assess the overall health of the Village.

The Statement of Activities presents information showing how the Village's net position changed during the most recent year. Revenues and expenses are reported by activity to give the reader an understanding of how each of the Village's activities is being supported. 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 periods. This method is known as the accrual basis of accounting and is different from the modified accrual basis of accounting used in the Village's fund financial statements.

The Village's government-wide financial statements include both the governmental and business-type activities of the Village itself as well as its discreetly presented component unit, the Village of Freeport Community Development Agency ("Agency"). The Agency changed its fiscal year end to August 31 and the financial statements include the activity of the Agency for the eighteen months ended August 31, 2019.

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).

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Certain amounts presented in the prior year may have been reclassified in order to be consistent with the current year's presentation.

Governmental Activities - The Village's basic services are reported here, including: general government support; public safety; 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 it cover the costs of certain services it provides.

Business-Type Activities - The Village charges a fee to customers to help it cover all or most of the costs of certain services it provides. The Village's water and electric activities are reported here.

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. As previously stated, 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

The fund financial statements focus on current available resources and are organized and operated on the basis of funds, each of which is defined as an accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific or attaining certain objectives in accordance with special regulations, restriction or limitations. The Village, like other 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.

Governmental Funds

The Village's activities are reported in 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 on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financial 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 effect of the Village's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains two individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of

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revenues, expenditures, and changes in fund balances for the General Fund and Capital Projects Fund.

The Village adopts an annual appropriated budget for its General Fund. Budgetary comparison statements have been provided for the General Fund within the basic financial statements to demonstrate compliance with the respective budget.

The governmental fund financial statements can be found in the “Basic Financial Statements” section of this report.

Proprietary Funds

The Village maintains proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its Water and Electric funds.

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 since both are considered to be major funds of the Village. The proprietary fund financial statements can be found in the “Basic Financial Statements” section of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. We exclude these activities from the Village’s other financial statements because the Village cannot use these assets to finance its operations. The Village is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The fiduciary fund financial statement can be found in the “Basic Financial Statements” section of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously noted, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Village, liabilities and deferred inflows of resources, exceeded assets and deferred outflows of resources by \$120,790,468 at the close of the most recent year.

Our analysis below focuses on the net position and changes in net position of the Village’s governmental and business-type activities.

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Management Discussion and Analysis February 29, 2020

Condensed Statements of Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	February 29, 2020	February 28, 2019	February 29, 2020	February 28, 2019	February 29, 2020	February 28, 2019
Assets						
Current and other assets	\$ 33,913,606	\$ 26,132,539	\$ 60,646,267	\$ 56,526,488	\$ 94,559,873	\$ 82,659,027
Capital assets	54,510,495	56,112,803	71,493,661	74,146,236	126,004,156	130,259,039
Total assets	88,424,101	82,245,342	132,139,928	130,672,724	220,564,029	212,918,066
Deferred outflows of resources	48,179,312	19,029,140	15,813,313	5,484,620	63,992,625	24,513,760
Liabilities						
Other liabilities	12,533,846	12,056,521	9,003,997	8,504,755	21,537,843	20,561,276
Long-term liabilities	261,850,258	210,179,027	111,324,422	96,956,344	373,174,680	307,135,371
Total liabilities	274,384,104	222,235,548	120,328,419	105,461,099	394,712,523	327,696,647
Deferred inflows of resources	8,235,344	17,713,143	2,399,255	5,358,435	10,634,599	23,071,578
Net position						
Net investment in capital assets	22,798,500	24,296,642	23,214,064	23,553,329	46,012,564	47,849,971
Restricted						
Debt Service	707,609	495,640	-	-	707,609	495,640
Unrestricted	(169,522,144)	(163,466,491)	2,011,503	1,784,481	(167,510,641)	(161,682,010)
Total net position	\$ (146,016,035)	\$ (138,674,209)	\$ 25,225,567	\$ 25,337,810	\$ (120,790,468)	\$ (113,336,399)

Total assets and deferred outflows of resources of the Village's governmental activities, as of February 29, 2020, were \$88,424,101 and \$48,179,312, respectively, a total increase of \$35,328,931. Total liabilities and deferred inflows of resources as of February 29, 2020 were \$274,384,104 and \$8,235,344, respectively, a total increase of \$42,670,757. This resulted in a net deficit balance of \$146,016,035 for 2020, which increased the deficit by \$7,341,826. Of the Village's governmental activities net position (deficit) balance, \$22,798,500 represents its net investment in capital assets and \$707,609 is restricted for debt service; leaving a \$169,626,494 unrestricted deficit.

The deficit balance of unrestricted net position does not necessarily indicate fiscal stress. The deficit balance in unrestricted net position arose primarily due to non-current liabilities which include mandated payments due to employees' retirement systems, compensated absences, OPEB obligations, payments due to LOSAP 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 29, 2020, were \$132,139,928 and \$15,813,313, respectively, a total increase of \$11,795,897. Total liabilities and deferred inflows of resources as of February 29, 2020 were \$120,328,419 and \$2,399,255, respectively, a total increase of \$11,908,130. This resulted in a net position balance of \$25,225,567 for 2020, a decrease of \$112,243. Of the Village's business-type activities net position balance, \$23,214,064 represents its net investment in capital assets; leaving \$2,011,503 as unrestricted net position.

The Village's combined net investment in capital assets of \$46,012,564 as of February 29, 2020, 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 is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital

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Management Discussion and Analysis February 29, 2020

assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from the sale of electric and water services and other sources, since the capital assets themselves will not be used to liquidate these liabilities.

The Village's combined net position decreased again in the current year due to the ongoing recognition of other postemployment healthcare costs. The unfunded liability for other postemployment benefit liabilities increased by \$62,056,186 bringing the unfunded liability at year end to \$224,887,329 (\$168,270,567 for governmental activities and \$56,616,762 for business-type activities). Additional information on other postemployment benefits can be found in Note 3G in the notes to financial statements.

Our analysis below separately considers the operations of governmental and business-type activities.

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	February 29, 2020	February 28, 2019	February 29, 2020	February 28, 2019	February 29, 2020	February 28, 2019
Program Revenues						
Charges for services	\$ 17,389,031	\$ 16,624,196	\$ 45,709,845	\$ 43,235,145	\$ 63,098,876	\$ 59,859,341
Operating grants and contributions	285,917	383,221	-	-	285,917	383,221
Capital grants and contributions	1,501,656	1,415,179	-	-	1,501,656	1,415,179
	<u>19,176,604</u>	<u>18,422,596</u>	<u>45,709,845</u>	<u>43,235,145</u>	<u>64,886,449</u>	<u>61,657,741</u>
General Revenues						
Real property taxes	43,046,927	42,899,392	-	-	43,046,927	42,899,392
Other real property tax items	5,752,896	5,750,878	-	-	5,752,896	5,750,878
Non-property tax items	1,178,144	1,208,410	-	-	1,178,144	1,208,410
Unrestricted use of money and property	519,152	326,391	133,769	115,617	652,921	442,008
Sale of property and compensation for loss	69,160	32,963	-	-	69,160	32,963
State aid - unrestricted	514,019	1,526,816	-	-	514,019	1,526,816
Miscellaneous	901,415	95,791	-	-	901,415	95,791
Insurance recoveries	215,905	399,840	-	-	215,905	399,840
Gain on sale of property	3,336,997	-	-	-	3,336,997	-
Costs to be recovered in future revenues	-	-	3,696,486	1,446,877	3,696,486	1,446,877
Contribution from component unit	-	3,081,286	-	-	-	3,081,286
Transfers	150,000	379,557	(150,000)	(379,557)	-	-
	<u>55,684,615</u>	<u>55,701,324</u>	<u>3,680,255</u>	<u>1,182,937</u>	<u>59,364,870</u>	<u>56,884,261</u>
Total revenues	<u>74,861,219</u>	<u>74,123,920</u>	<u>49,390,100</u>	<u>44,418,082</u>	<u>124,251,319</u>	<u>118,542,002</u>
Program expenses						
General government support	18,069,770	15,227,456	-	-	18,069,770	15,227,456
Public safety	46,694,483	39,610,590	-	-	46,694,483	39,610,590
Health	2,810	2,417	-	-	2,810	2,417
Transportation	4,809,518	4,656,939	-	-	4,809,518	4,656,939
Economic assistance and opportunity	-	126,786	-	-	-	126,786
Culture and recreation	6,436,541	5,991,647	-	-	6,436,541	5,991,647
Home and community services	4,987,275	4,827,254	-	-	4,987,275	4,827,254
Interest	1,075,862	1,147,498	-	-	1,075,862	1,147,498
Water	-	-	6,869,928	6,724,019	6,869,928	6,724,019
Electric	-	-	42,632,415	35,311,585	42,632,415	35,311,585
Total expenses	<u>82,203,045</u>	<u>71,619,384</u>	<u>49,502,343</u>	<u>42,035,604</u>	<u>131,705,388</u>	<u>113,654,988</u>
Change in net position	<u>(7,341,826)</u>	<u>2,504,536</u>	<u>(112,243)</u>	<u>2,382,478</u>	<u>(7,454,069)</u>	<u>4,887,014</u>
Net position, beginning of the year	<u>(138,674,209)</u>	<u>(141,178,745)</u>	<u>25,337,810</u>	<u>22,955,332</u>	<u>(113,336,399)</u>	<u>(118,223,413)</u>
Net position, end of year	<u>\$ (146,016,035)</u>	<u>\$ (138,674,209)</u>	<u>\$ 25,225,567</u>	<u>\$ 25,337,810</u>	<u>\$ (120,790,468)</u>	<u>\$ (113,336,399)</u>

During the year ended February 29, 2020, government-wide total revenues increased from the prior year by \$5,709,317 while government-wide expenses increased from the prior year by \$18,050,400.

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

- Government-wide program revenues increased by approximately \$3,228,708, primarily as a result of an increase in electric usage and capital grants and contributions, which was partially offset by a decrease in water usage and in operating grants and contributions.
- Government-wide general revenues increased by approximately \$2,480,609 from the previous year mainly due to the gain on sale of real property known as Freeport Plaza West, favorable rates of return on the Village's investments, and an increase in real estate property taxes collected, which was partially offset by a decrease in aid received from New York State and insurance recoveries.

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

- There was an increase in government-wide expenses in the majority of functions mainly due to mandated contractual salary increases and the rising costs of employee benefits such as pension and health insurance.
- There was a decrease in government-wide interest expense due to the Village taking advantage of more favorable rates in the bond markets.

Total Cost of Services, Program Revenues and Net Cost (Income) of Services Governmental Activities For the Years Ended February 29, 2020 and February 28, 2019

	Total Cost of Services		Program Revenues		Net Cost of Services	
	February 29, 2020	February 28, 2019	February 29, 2020	February 28, 2019	February 29, 2020	February 28, 2019
General government support	\$ 18,069,770	\$ 15,227,456	\$ 1,489,870	\$ 1,319,967	\$ 16,579,900	\$ 13,907,489
Public Safety	46,694,483	39,610,590	4,627,321	4,580,327	42,067,162	35,030,263
Health	2,810	2,417	-	-	2,810	2,417
Transportation	4,809,518	4,656,939	84,210	1,315,716	4,725,308	3,341,223
Economic assistance and opportunity	126,786	155,583	-	61,204	126,786	94,379
Cultural and recreation	6,436,541	5,991,647	2,907,200	2,683,675	3,529,341	3,307,972
Home and community services	4,987,275	4,827,254	8,280,430	8,461,707	(3,293,155)	(3,634,453)
Interest	1,075,862	1,147,498	-	-	1,075,862	1,147,498
	\$ 82,203,045	\$ 71,619,384	\$ 17,389,031	\$ 18,422,596	\$ 64,814,014	\$ 53,196,788

The cost of the governmental activities this year was \$82,203,048. The net cost of these services after being subsidized by program revenues of \$17,389,031 was \$64,814,014.

Incorporated Village of Freeport, New York

Management Discussion and Analysis February 29, 2020

Total Cost of Services, Program Revenues and Net Cost (Income) of Services Business-Type Activities For the Years Ended February 29, 2020 and February 28, 2019

	Total Cost of Services		Program Revenues		Net Cost of Services	
	February 29, 2020	February 28, 2019	February 29, 2020	February 28, 2019	February 29, 2020	February 28, 2019
Electric	\$ 42,632,415	\$ 35,311,585	\$ 39,032,478	\$ 36,422,121	\$ 3,599,937	\$ (1,110,536)
Water	6,869,928	6,724,019	6,677,367	6,813,024	192,561	(89,005)
	<u>\$ 49,502,343</u>	<u>\$ 42,035,604</u>	<u>\$ 45,709,845</u>	<u>\$ 43,235,145</u>	<u>\$ 3,792,498</u>	<u>\$ (1,199,541)</u>

The cost of the business-type activities this year was \$49,502,343. The net cost of these services after being subsidized by program revenues of \$45,709,845 was \$3,792,498.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

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 principal operating fund of the Village. At the end of the current fiscal year, the total fund balance of the General Fund was \$23,589,251, an increase of \$8,282,013 from the prior year. Of this amount, \$807,557 is not in spendable form (inventory of material and supplies and prepaid expenditures) and of the remaining \$22,781,694, \$6,339,481 is restricted for debt service and pension payments, \$14,834 has been assigned for purchase orders by the Village Comptroller, and the remaining \$16,427,379 is unassigned.

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

- The \$6.3 million sale of real property known as Freeport Plaza West
- Use of money and property which consists of interest of investments, change in value of investments and rental of real property surpassed revenue estimates by approximately \$548,000
- The debt service, consisting of principal and interest expenditures, for the fiscal year ended February 29, 2020 were approximately \$1,782,000 less compared to the previous fiscal year as a result of the Village's efforts to reduce its bonded debt levels

At the end of the current year, the Capital Projects Fund had a deficit fund balance of \$2,530,303. The fund balance of the Capital Projects Fund decreased by \$1,045,941 from the prior year, a result of timing differences between project expenditures and the recognition of corresponding permanent financing.

Incorporated Village of Freeport, New York

Management Discussion and Analysis February 29, 2020

Proprietary Funds

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

Water Fund

As of February 29, 2020, the Water Fund's net position was \$11,979,082, an increase of \$257,399 from the prior year. Operating revenues decreased by approximately \$136,000, a result of decreased demand and usage of water in the current year as compared to the prior year, which is consistent to changes in the weather conditions. Operating expenses also increased by approximately \$171,000, primarily the result of contractual increases in salaries and other administrative costs. The Water Fund's (net) non-operating revenues increased by approximately \$330,000 due to reduced interest expense on debt in the current year as the fund has been paying down its outstanding debt, an increase in costs related to OPEB that will be covered from future revenues, and a slight decrease in interest income from the fund's investments.

Electric Fund

As of February 29, 2020, the Electric Fund's net position was \$13,246,485, a decrease of \$369,642 from the prior year. Operating revenues increased by approximately \$2,610,000 as a result of an increase in residential and commercial sales from the prior fiscal year and an increase in federal aid received. Operating expenses also increased by approximately \$7,433,000, in line with the previously referenced increase in sales from the prior fiscal year coupled with an increase in the cost of salaries and other administrative costs. The Electric Fund's (net) non-operating revenues increased by approximately \$2,074,000, mainly due to reduced interest expense on debt in the current year as the fund is paying down its outstanding debt, an increase in interest income from the fund's investments, and an increase in costs related to OPEB that will be covered from future revenues.

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, which increased the appropriations in excess of the estimated revenues in the amount of \$39,020 by appropriating prior year assigned fund balance. Overall, total revenues and other financing sources were less than budgeted by \$2,983,476 and total actual expenditures were less than total appropriations in the amount of \$5,710,618. As a result, the Village's General Fund achieved a budgetary savings of \$8,694,094. In addition, the original budget was increased as follows:

Estimated revenues	\$ 127,000
Other financing sources	<u>3,263,501</u>
	3,390,501
Appropriations	<u>3,390,501</u>
	<u>\$ -</u>

Incorporated Village of Freeport, New York

Management Discussion and Analysis
February 29, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Village’s capital assets net of accumulated depreciation for its governmental and business-type activities as of February 29, 2020, amounts to \$54,510,495 and \$71,493,661, respectively. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure (roads, curbs, sidewalks, drainage, sewer and water systems) and intangibles.

During the fiscal year ended February 29, 2020, the Village’s major capital expenditures were as follows:

Water Fund infrastructure improvements	\$	140,990
Various road and sewer system improvements		3,915,122
Various building improvements		243,550
Acquisition of vehicles and major equipment		2,649,762
Acquisition of vehicles and major equipment – Electric Fund		<u>675,712</u>
	\$	<u>7,625,136</u>

**Capital Assets
Governmental Activities**

	February 29, 2020	February 28, 2019
	<u> </u>	<u> </u>
Land	\$ 4,160,221	\$ 7,068,069
Construction in progress	808,262	1,925,194
Buildings	15,586,273	15,472,834
Improvements other than buildings	18,053,940	18,116,528
Machinery and equipment	18,273,319	15,851,382
Intangibles - software	1,289,184	1,253,583
Infrastructure:		
Roads, curbs, sidewalks and drainage	57,071,023	55,109,189
Sewer system	<u>23,140,257</u>	<u>21,186,969</u>
Total capital assets	138,382,479	135,983,748
Less: accumulated depreciation	<u>83,871,984</u>	<u>79,870,945</u>
Total net governmental capital assets	<u>\$ 54,510,495</u>	<u>\$ 56,112,803</u>

Incorporated Village of Freeport, New York

Management Discussion and Analysis
February 29, 2020

Capital Assets Business-type Activities

	February 29, 2020	February 28, 2019
Land	\$ 170,220	\$ 170,220
Construction in progress	621,578	416,336
Buildings, wells and structures	21,336,826	21,333,441
Improvements other than buildings	2,212,311	2,133,426
Machinery and equipment	109,159,472	108,674,954
Infrastructure - Water mains	<u>20,789,910</u>	<u>20,648,920</u>
Total capital assets	154,290,317	153,377,297
Less: accumulated depreciation	<u>82,796,656</u>	<u>79,231,061</u>
Total net business-type capital assets	<u>\$ 71,493,661</u>	<u>\$ 74,146,236</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 financial statements.

Debt Limit

The Village has the power to contract indebtedness for any Village 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 for 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 Discussion and Analysis February 29, 2020

Debt Administration

A summary of activity for outstanding debt for the Village for the year ended February 29, 2020 is as follows:

	Balance March 1, 2019	Increases	Decreases	Balance February 29, 2020
Governmental activities:				
Bond anticipation notes	\$ 10,462,500	\$ 5,515,500	\$ 6,058,500	\$ 9,919,500
General obligation bonds*	35,284,862	4,585,000	4,444,376	35,425,486
	<u>\$ 45,747,362</u>	<u>\$ 10,100,500</u>	<u>\$ 10,502,876</u>	<u>\$ 45,344,986</u>
Business-type activities:				
Bond anticipation notes	1,385,000	1,596,500	1,385,000	1,596,500
General obligation bonds*	48,605,142	1,295,000	3,785,623	46,114,519
	<u>\$ 49,990,142</u>	<u>\$ 2,891,500</u>	<u>\$ 5,170,623</u>	<u>\$ 47,711,019</u>

*Exclusive of related unamortized bond premiums

On April 5, 2019, Moody's Investor Service ("Moody's") upgraded the Village's credit rating to "Aa3" and maintained that rating for the remainder of the year ended February 29, 2020. Additional information on the Village's debt activity can be found in Notes 3F and 3G in the notes to financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Property Tax

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 2020-2021 budget includes an overall increase in real property tax revenues from the prior year of 6.287% for the general Village 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 of the Village's overall real property tax to 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 2020-2021 fiscal year.

Incorporated Village of Freeport, New York

Management Discussion and Analysis
February 29, 2020

Assessment reductions resulting from tax certiorari actions continue to erode the Village tax base. This trend has shown signs of slowing and for the year ending February 28, 2021, the Village anticipates that assessment refunds will not exceed the budget allocation.

On March 11, 2020, the World Health Organization declared a global pandemic as a result of the spread of Coronavirus. This was followed by the President of the United States declaring the outbreak of Coronavirus a national emergency on March 13, 2020.

Preceding these announcements, the Governor of the State of New York declared a state of emergency on March 7, 2020 and has since issued multiple Executive Orders regarding the pandemic. Furthermore, the Enacted 2020-21 New York State budget granted the Budget Director the authority to reduce state aid payments to local governments and school districts by any amount needed to achieve a balanced budget.

In addition to these New York State actions, the Village's economically sensitive revenues (i.e., sales tax distributions, mortgage tax, interest earnings, charges for services) are being negatively impacted. Meanwhile, the Village's expenditures on health and safety measures (personal protective equipment, sanitizing supplies, custodial overtime, technology acquisitions to support a safe working environment) will increase significantly.

The outbreak of the Coronavirus and the dramatic steps taken by the Federal government and New York State to address it will continue to negatively affect New York State and its local economies. The full impact of the Coronavirus on New York State's operations and financial condition is not expected to be known for some time. Similarly, the degree of the impact on the Village's future operations and finances as a result of the Coronavirus is extremely difficult to predict due to uncertainties relating to its duration and severity, as well as with regard to what actions may be taken by governmental and other health care authorities, including New York State, to contain or mitigate its effects.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

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 our accountability with the money we receive. If you have any questions about this report or need additional financial information, contact the Incorporated Village of Freeport, Treasurer's Office, 46 North Ocean Avenue, Freeport, New York.

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Incorporated Village of Freeport, New York

Statement of Net Position
February 29, 2020

	Governmental Activities	Business-type Activities	Total	Component Unit Community Development Agency
ASSETS				
Cash and equivalents	\$ 3,208,146	\$ 2,230,970	\$ 5,439,116	\$ 218,130
Investments	24,156,827	4,429,373	28,586,200	-
Receivables				
Taxes	698,698	-	698,698	-
Accounts	1,474,724	7,631,966	9,106,690	-
State and Federal aid	878,744	-	878,744	-
Due from other governments	271,261	-	271,261	14,120
Internal balances	2,417,649	(2,417,649)	-	-
Inventories	338,045	2,142,867	2,480,912	-
Prepaid expenses	469,512	123,853	593,365	-
Costs to be recovered from future revenues	-	46,104,388	46,104,388	-
Regulatory deposit	-	400,499	400,499	-
Capital assets				
Not being depreciated	4,968,483	791,798	5,760,281	-
Being depreciated, net	49,542,012	70,701,863	120,243,875	-
Total Assets	88,424,101	132,139,928	220,564,029	232,250
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on refunding bonds	704,190	1,583,431	2,287,621	-
Deferred amounts on net pension liabilities	11,851,210	2,148,055	13,999,265	-
Deferred amounts on other post employment benefits	34,103,283	12,081,827	46,185,110	-
Deferred amounts on fire service awards	1,520,629	-	1,520,629	-
Total Deferred Outflows of Resources	48,179,312	15,813,313	63,992,625	-
LIABILITIES				
Accounts payable	3,364,786	1,523,094	4,887,880	9,651
Accrued liabilities	715,747	36,170	751,917	-
Accrued interest payable	345,667	281,727	627,394	-
Due to other governments	12,089	-	12,089	378,502
Customer deposits	-	1,464,808	1,464,808	-
Regulatory liabilities	-	3,872,457	3,872,457	-
Bond anticipation notes payable	8,084,500	1,596,500	9,681,000	-
Unearned revenues	11,057	229,241	240,298	166,315
Non-current liabilities				
Due within one year	10,328,568	4,517,560	14,846,128	-
Due in more than one year	251,521,690	106,806,862	358,328,552	576,029
Total Liabilities	274,384,104	120,328,419	394,712,523	1,130,497
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts on net pension liabilities	3,046,393	829,802	3,876,195	6,027
Deferred amounts on other post employment benefits	4,502,467	1,569,453	6,071,920	-
Deferred amounts on fire service awards	686,484	-	686,484	-
Total Deferred Inflows of Resources	8,235,344	2,399,255	10,634,599	6,027
NET POSITION				
Net investment in capital assets	22,798,500	23,214,064	46,012,564	-
Restricted				
Debt service	707,609	-	707,609	-
Unrestricted	(169,522,144)	2,011,503	(167,510,641)	(904,274)
Total Net Position	\$ (146,016,035)	\$ 25,225,567	\$ (120,790,468)	\$ (904,274)

The accompanying notes are an integral part of the financial statements.

Incorporated Village of Freeport, New York

Statement of Activities
Year Ended February 29, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government support	\$ 18,069,770	\$ 1,489,870	\$ -	\$ -
Public safety	46,694,483	4,627,321	128,338	-
Health	2,810	-	-	-
Transportation	4,809,518	84,210	-	1,110,232
Economic opportunity and development	126,786	-	20,656	-
Culture and recreation	6,436,541	2,907,200	-	-
Home and community services	4,987,275	8,280,430	136,923	391,424
Interest	1,075,862	-	-	-
Total Governmental Activities	82,203,045	17,389,031	285,917	1,501,656
Business-type activities				
Water	6,869,928	6,677,367	-	-
Electric	42,632,415	39,032,478	-	-
Total Business-Type Activities	49,502,343	45,709,845	-	-
Total	\$ 131,705,388	\$ 63,098,876	\$ 285,917	\$ 1,501,656
Component unit				
Village of Freeport Community Development Agency	\$ 1,064,807	\$ 45,061	\$ 980,625	\$ -

General revenues
Real property taxes
Other tax items
Interest and penalties on real property taxes
Payments in lieu of taxes
Non-property taxes
Non-property tax distribution from County
Utilities gross receipts tax
Unrestricted use of money and property
Sale of property and compensation for loss
Unrestricted State aid
Miscellaneous
Insurance recoveries
Gain on sale of property
Costs to be recovered from future revenues
Transfers

Total General Revenues

Change in Net Position

NET POSITION
Beginning of Year

End of Year

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Position			Component Unit
Governmental Activities	Business-type Activities	Total	Community Development Agency
\$ (16,579,900)	\$ -	\$ (16,579,900)	\$ -
(41,938,824)	-	(41,938,824)	-
(2,810)	-	(2,810)	-
(3,615,076)	-	(3,615,076)	-
(106,130)	-	(106,130)	-
(3,529,341)	-	(3,529,341)	-
3,821,502	-	3,821,502	-
(1,075,862)	-	(1,075,862)	-
(63,026,441)	-	(63,026,441)	-
-	(192,561)	(192,561)	-
-	(3,599,937)	(3,599,937)	-
-	(3,792,498)	(3,792,498)	-
(63,026,441)	(3,792,498)	(66,818,939)	-
-	-	-	(39,121)
43,046,927	-	43,046,927	-
333,011	-	333,011	-
5,419,885	-	5,419,885	-
119,088	-	119,088	-
1,059,056	-	1,059,056	-
519,152	133,769	652,921	707
69,160	-	69,160	-
514,019	-	514,019	-
901,415	-	901,415	-
215,905	-	215,905	-
3,336,997	-	3,336,997	-
-	3,696,486	3,696,486	-
150,000	(150,000)	-	-
55,684,615	3,680,255	59,364,870	707
(7,341,826)	(112,243)	(7,454,069)	(38,414)
(138,674,209)	25,337,810	(113,336,399)	(865,860)
\$ (146,016,035)	\$ 25,225,567	\$ (120,790,468)	\$ (904,274)

Incorporated Village of Freeport, New York

Balance Sheet
 Governmental Funds
 February 29, 2020

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and equivalents	\$ 3,207,130	\$ 1,016	\$ 3,208,146
Investments	18,780,068	5,376,759	24,156,827
Taxes receivable	698,698	-	698,698
Other receivables			
Accounts	1,464,724	10,000	1,474,724
State and Federal aid	186,971	691,773	878,744
Due from other funds	3,444,661	839,490	4,284,151
Due from other governments	271,261	-	271,261
	<u>5,367,617</u>	<u>1,541,263</u>	<u>6,908,880</u>
Inventories	338,045	-	338,045
Prepaid expenditures	469,512	-	469,512
Total Assets	<u>\$ 28,861,070</u>	<u>\$ 6,919,038</u>	<u>\$ 35,780,108</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)			
Liabilities			
Accounts payable	\$ 2,798,651	\$ 566,135	\$ 3,364,786
Accrued liabilities	715,747	-	715,747
Due to other funds	1,067,796	798,706	1,866,502
Due to other governments	12,089	-	12,089
Bond anticipation notes payable	-	8,084,500	8,084,500
Unearned revenues	11,057	-	11,057
Total Liabilities	4,605,340	9,449,341	14,054,681
Deferred inflows of resources			
Deferred tax revenues	666,479	-	666,479
Total Liabilities and Deferred Inflows of Resources	<u>5,271,819</u>	<u>9,449,341</u>	<u>14,721,160</u>
Fund balances (deficits)			
Nonspendable	807,557	-	807,557
Restricted	6,339,481	-	6,339,481
Assigned	14,834	-	14,834
Unassigned	16,427,379	(2,530,303)	13,897,076
Total Fund Balances (Deficits)	<u>23,589,251</u>	<u>(2,530,303)</u>	<u>21,058,948</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 28,861,070</u>	<u>\$ 6,919,038</u>	<u>\$ 35,780,108</u>

The accompanying notes are an integral part of the financial statements.

Incorporated Village of Freeport, New York

Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position February 29, 2020

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because

Fund Balances - Total Governmental Funds	<u>\$ 21,058,948</u>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>54,510,495</u>
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reflected as deferred in the funds. Deferred tax revenues	<u>666,479</u>
Governmental funds do not report the effect of losses on refunding bonds and liabilities relating to net pension and other postemployment benefit liabilities whereas these amounts are deferred and amortized in the statement of activities. Deferred amounts on net pension liabilities Deferred amounts on fire service awards Deferred amounts on other post employment benefits Deferred amounts on refunding bonds	<u>8,804,817</u> <u>834,145</u> <u>29,600,816</u> <u>704,190</u>
	<u>39,943,968</u>
Long-term liabilities that are not due and payable in the current period are not reported in the funds. Accrued interest payable Bonds payable Bond anticipation notes payable Claims and tax certiorari payable Compensated absences Retirement incentives and other pension liabilities Net pension liabilities Total pension liability - fire service awards Other post employment benefit liability	<u>(345,667)</u> <u>(36,703,776)</u> <u>(1,835,000)</u> <u>(7,144,330)</u> <u>(24,038,145)</u> <u>(2,653,623)</u> <u>(9,408,780)</u> <u>(11,796,037)</u> <u>(168,270,567)</u>
	<u>(262,195,925)</u>
Net Position of Governmental Activities	<u><u>\$ (146,016,035)</u></u>

The accompanying notes are an integral part of the financial statements.

Incorporated Village of Freeport, New York

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended February 29, 2020

	General	Capital Projects	Total Governmental Funds
REVENUES			
Real property taxes	\$ 43,000,677	\$ -	\$ 43,000,677
Other tax items	5,752,896	-	5,752,896
Non-property taxes	1,178,144	-	1,178,144
Departmental income	8,267,975	-	8,267,975
Intergovernmental revenues	6,500	-	6,500
Interfund revenues	1,222,118	-	1,222,118
Use of money and property	1,987,357	-	1,987,357
Net change in fair value of investments	114,627	-	114,627
Licenses and permits	2,072,042	-	2,072,042
Fines and forfeitures	4,132,051	-	4,132,051
Sale of property and compensation for loss	69,160	-	69,160
State aid	610,615	1,053,872	1,664,487
Federal aid	102,834	391,424	494,258
Miscellaneous	901,415	56,360	957,775
Total Revenues	69,418,411	1,501,656	70,920,067
EXPENDITURES			
Current			
General government support	10,502,034	-	10,502,034
Public safety	23,071,593	-	23,071,593
Health	2,810	-	2,810
Transportation	2,176,350	-	2,176,350
Economic opportunity and development	127,378	-	127,378
Culture and recreation	3,466,281	-	3,466,281
Home and community services	3,785,341	-	3,785,341
Employee benefits	20,003,744	-	20,003,744
Capital outlay	-	5,268,833	5,268,833
Debt service			
Principal	6,124,376	-	6,124,376
Interest	1,176,005	-	1,176,005
Total Expenditures	70,435,912	5,268,833	75,704,745
Deficiency of Revenues Over Expenditures	(1,017,501)	(3,767,177)	(4,784,678)
OTHER FINANCING SOURCES (USES)			
Bonds issued	1,575,000	3,010,000	4,585,000
Insurance recoveries	215,905	-	215,905
Sale of real property	6,244,845	-	6,244,845
Bond anticipation notes issued	825,000	-	825,000
Transfers in	473,764	35,000	508,764
Transfers out	(35,000)	(323,764)	(358,764)
Total Other Financing Sources	9,299,514	2,721,236	12,020,750
Net Change in Fund Balances	8,282,013	(1,045,941)	7,236,072
FUND BALANCES (DEFICITS)			
Beginning of Year	15,307,238	(1,484,362)	13,822,876
End of Year	<u>\$ 23,589,251</u>	<u>\$ (2,530,303)</u>	<u>\$ 21,058,948</u>

The accompanying notes are an integral part of the financial statements.

Incorporated Village of Freeport, New York

Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended February 29, 2020

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Net Change in Fund Balances - Total Governmental Funds	\$ 7,236,072
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 outlay expenditures	5,761,906
Depreciation expense	<u>(4,456,366)</u>
	<u>1,305,540</u>
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Real property taxes	<u>46,250</u>
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net pension	
	<u>(2,907,848)</u>
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	(4,585,000)
Bond anticipation notes issued	(825,000)
Principal paid on bond anticipation notes	1,680,000
Principal paid on bonds	4,444,376
Amortization of loss on refunding bonds and issuance premium	<u>78,724</u>
	<u>793,100</u>
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	21,420
Claims and tax certiorari payable	(294,457)
Compensated absences	(1,853,048)
Retirement incentives and other pension liabilities	637,099
Net pension liability	(1,133,823)
Total pension liability - fire service awards	(269,788)
Other post employment benefit obligations	<u>(10,922,343)</u>
	<u>(13,814,940)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (7,341,826)</u></u>

The accompanying notes are an integral part of the financial statements.

Incorporated Village of Freeport, New York

Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
General Fund
Year Ended February 29, 2020

	Original Budget (1)	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Real property taxes	\$ 43,051,518	\$ 43,051,518	\$ 43,000,677	\$ (50,841)
Other tax items	5,754,815	5,754,815	5,752,896	(1,919)
Non-property taxes	1,060,000	1,060,000	1,178,144	118,144
Departmental income	8,094,290	8,154,290	8,267,975	113,685
Intergovernmental revenues	6,500	6,500	6,500	-
Interfund revenues	1,600,000	1,600,000	1,222,118	(377,882)
Use of money and property	1,554,310	1,554,310	1,987,357	433,047
Net change in fair value of investments	-	-	114,627	114,627
Licenses and permits	2,955,669	2,955,669	2,072,042	(883,627)
Fines and forfeitures	4,224,000	4,224,000	4,132,051	(91,949)
Sale of property and compensation for loss	32,000	32,000	69,160	37,160
State aid	1,369,846	484,535	610,615	126,080
Federal aid	171,000	222,000	102,834	(119,166)
Miscellaneous	475,000	1,376,311	901,415	(474,896)
Total Revenues	70,348,948	70,475,948	69,418,411	(1,057,537)
EXPENDITURES				
Current				
General government support	12,556,633	12,429,649	10,502,034	1,927,615
Public safety	23,890,411	23,935,231	23,071,593	863,638
Health	3,350	3,350	2,810	540
Transportation	2,289,483	2,313,913	2,176,350	137,563
Economic opportunity and development	159,744	159,744	127,378	32,366
Culture and recreation	3,500,356	3,555,754	3,466,281	89,473
Home and community services	4,046,486	4,046,523	3,785,341	261,182
Employee benefits	20,125,100	20,254,400	20,003,744	250,656
Debt service				
Principal	4,874,378	6,449,378	6,124,376	325,002
Interest	1,180,088	1,180,088	1,176,005	4,083
Total Expenditures	72,626,029	74,328,030	70,435,912	3,892,118
Deficiency of Revenues Over Expenditures	(2,277,081)	(3,852,082)	(1,017,501)	2,834,581
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	150,000	150,000	215,905	65,905
Sale of real property	500,000	500,000	6,244,845	5,744,845
Bond anticipation notes issued	1,260,000	1,260,000	825,000	(435,000)
Bonds issued	-	1,575,000	1,575,000	-
Transfers in	120,000	1,808,501	473,764	(1,334,737)
Transfers out	(165,000)	(1,853,500)	(35,000)	1,818,500
Total Other Financing Sources	1,865,000	3,440,001	9,299,514	5,859,513
Net Change in Fund Balance	(412,081)	(412,081)	8,282,013	8,694,094
FUND BALANCE				
Beginning of Year	412,081	412,081	15,307,238	14,895,157
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,589,251</u>	<u>\$ 23,589,251</u>

(1) Includes prior year encumbrances of \$39,020.

The accompanying notes are an integral part of the financial statements.

Incorporated Village of Freeport, New York

Statement of Net Position
 Proprietary Funds
 February 29, 2020

	Business-type Activities - Enterprise Funds		
	Water	Electric	Totals
ASSETS			
Current assets			
Cash and equivalents	\$ 165,469	\$ 2,065,501	\$ 2,230,970
Investments	332,033	4,097,340	4,429,373
Accounts receivable	3,047,376	4,584,590	7,631,966
Due from other funds	502,266	362,265	864,531
Inventories	89,367	2,053,500	2,142,867
Prepaid expenses	16,651	107,202	123,853
Total Current Assets	<u>4,153,162</u>	<u>13,270,398</u>	<u>17,423,560</u>
Non-current assets			
Costs to be recovered from future revenues	8,450,530	37,653,858	46,104,388
Regulatory deposit	-	400,499	400,499
Capital assets			
Not being depreciated	85,981	705,817	791,798
Being depreciated, net	15,857,890	54,843,973	70,701,863
Total Non-Current Assets	<u>24,394,401</u>	<u>93,604,147</u>	<u>117,998,548</u>
Total Assets	<u>28,547,563</u>	<u>106,874,545</u>	<u>135,422,108</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts on refunding bonds	85,250	1,498,181	1,583,431
Deferred amounts on net pension liabilities	346,819	1,801,236	2,148,055
Deferred amounts on other post employment benefits	2,608,978	9,472,849	12,081,827
Total Deferred Outflows of Resources	<u>3,041,047</u>	<u>12,772,266</u>	<u>15,813,313</u>
LIABILITIES			
Current liabilities			
Accounts payable	201,268	1,321,826	1,523,094
Accrued liabilities	36,170	-	36,170
Accrued interest payable	57,726	224,001	281,727
Due to other funds	738,821	2,543,359	3,282,180
Customer deposits	-	1,464,808	1,464,808
Regulatory liabilities	-	3,872,457	3,872,457
Bond anticipation notes payable	-	1,596,500	1,596,500
Unearned revenues	-	229,241	229,241
Total Current Liabilities	<u>1,033,985</u>	<u>11,252,192</u>	<u>12,286,177</u>
Non-current liabilities			
Due within one year	1,021,038	3,496,522	4,517,560
Due in more than one year	17,063,892	89,742,970	106,806,862
Total Non-Current Liabilities	<u>18,084,930</u>	<u>93,239,492</u>	<u>111,324,422</u>
Total Liabilities	<u>19,118,915</u>	<u>104,491,684</u>	<u>123,610,599</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts on net pension liabilities	134,010	695,792	829,802
Deferred amounts on other post employment benefits	356,603	1,212,850	1,569,453
Total Deferred Inflows of Resources	<u>490,613</u>	<u>1,908,642</u>	<u>2,399,255</u>
NET POSITION			
Net investment in capital assets	9,504,497	13,709,567	23,214,064
Unrestricted	2,474,585	(463,082)	2,011,503
Total Net Position	<u>\$ 11,979,082</u>	<u>\$ 13,246,485</u>	<u>\$ 25,225,567</u>

The accompanying notes are an integral part of the financial statements.

Incorporated Village of Freeport, New York

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Funds
 Year Ended February 29, 2020

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Electric</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ 6,270,704	\$ 34,623,364	\$ 40,894,068
Federal aid	-	4,258,272	4,258,272
Interest and penalties	406,663	-	406,663
Miscellaneous	-	150,842	150,842
	<u>6,677,367</u>	<u>39,032,478</u>	<u>45,709,845</u>
OPERATING EXPENSES			
Power generation	-	16,037,747	16,037,747
Power and pumping	2,027,094	-	2,027,094
Transmission and distribution services	200,485	1,444,874	1,645,359
Street lighting and signal system	-	144,353	144,353
Customer counting and collection	-	870,911	870,911
Administrative and general	2,321,885	15,644,223	17,966,108
Depreciation	790,522	3,068,403	3,858,925
Charges in lieu of taxes	1,344,150	3,747,000	5,091,150
Miscellaneous	-	94,729	94,729
	<u>6,684,136</u>	<u>41,052,240</u>	<u>47,736,376</u>
Total Operating Expenses	<u>6,684,136</u>	<u>41,052,240</u>	<u>47,736,376</u>
Loss from Operations	<u>(6,769)</u>	<u>(2,019,762)</u>	<u>(2,026,531)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	21,348	112,421	133,769
Interest expense	(185,792)	(1,580,175)	(1,765,967)
Costs to be recovered from future revenues	578,612	3,117,874	3,696,486
	<u>414,168</u>	<u>1,650,120</u>	<u>2,064,288</u>
Total Non-Operating Revenues	<u>414,168</u>	<u>1,650,120</u>	<u>2,064,288</u>
Income Before Transfers	407,399	(369,642)	37,757
Transfers Out	<u>(150,000)</u>	<u>-</u>	<u>(150,000)</u>
Change in Net Position	257,399	(369,642)	(112,243)
NET POSITION			
Beginning of Year	<u>11,721,683</u>	<u>13,616,127</u>	<u>25,337,810</u>
End of Year	<u>\$ 11,979,082</u>	<u>\$ 13,246,485</u>	<u>\$ 25,225,567</u>

The accompanying notes are an integral part of the financial statements.

Incorporated Village of Freeport, New York

Statement of Cash Flows
 Proprietary Funds
 Year Ended February 29, 2020

	Business-type Activities - Enterprise Funds		
	Water	Electric	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from charges for services	\$ 6,328,841	\$ 32,952,467	\$ 39,281,308
Cash received from federal aid	-	4,258,272	4,258,272
Cash received from interfund services provided	-	2,337,675	2,337,675
Cash payments for goods, services and compensation	(3,994,764)	(30,584,773)	(34,579,537)
Cash payments for interfund services used	(999,644)	(4,467,370)	(5,467,014)
Net Cash From Operating Activities	1,334,433	4,496,271	5,830,704
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on bonds	(889,729)	(2,895,894)	(3,785,623)
Bonds issued	1,145,000	150,000	1,295,000
Principal paid on bond anticipation notes	(1,235,000)	(150,000)	(1,385,000)
Bond anticipation notes issued	-	1,596,500	1,596,500
Interest paid on indebtedness	(197,178)	(1,628,746)	(1,825,924)
Acquisition and construction of capital assets	(321,813)	(884,537)	(1,206,350)
Transfers out	(150,000)	-	(150,000)
Net Cash From Capital and Related Financing Activities	(1,648,720)	(3,812,677)	(5,461,397)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investments	264,997	-	264,997
Purchase of investments	-	(385,171)	(385,171)
Interest income	21,348	112,421	133,769
Net Cash From Investing Activities	286,345	(272,750)	13,595
Net Change in Cash and Equivalents	(27,942)	410,844	382,902
CASH AND EQUIVALENTS			
Beginning of Year	193,411	1,654,657	1,848,068
End of Year	\$ 165,469	\$ 2,065,501	\$ 2,230,970
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES			
Loss from operations	\$ (6,769)	\$ (2,019,762)	\$ (2,026,531)
Adjustments to reconcile loss from operations to net cash from operating activities			
Depreciation	790,522	3,068,403	3,858,925
Changes in operating assets and liabilities			
Accounts receivable	(348,526)	470,484	121,958
Due from other funds	(1,008)	13,953	12,945
Inventories	(9,381)	295,400	286,019
Prepaid expenses	(588)	177	(411)
Regulatory deposit	-	35,136	35,136
Accounts payable	(20,369)	144,636	124,267
Accrued liabilities	4,600	-	4,600
Due to other funds	344,506	(720,370)	(375,864)
Customer deposits	-	31,499	31,499
Regulatory liabilities	-	153,146	153,146
Retirement incentives and other pension liabilities	(43,486)	(188,608)	(232,094)
Compensated absences	11,094	(73,922)	(62,828)
Net pension liabilities, net of deferred amounts	35,226	168,225	203,451
Other post employment benefit liabilities, net of deferred amounts	578,612	3,117,874	3,696,486
Net Cash from Operating Activities	\$ 1,334,433	\$ 4,496,271	\$ 5,830,704

The accompanying notes are an integral part of the financial statements.

Incorporated Village of Freeport, New York

Statement of Assets and Liabilities

Fiduciary Fund

February 29, 2020

	<u>Agency</u>
ASSETS	
Cash and equivalents	\$ 286,187
Investments	22,128
Accounts receivable	<u>1,130,627</u>
 Total Assets	 <u><u>\$ 1,438,942</u></u>
 LIABILITIES	
Accounts payable	\$ 386,992
Deposits	918,426
Employee payroll deductions	<u>133,524</u>
 Total Liabilities	 <u><u>\$ 1,438,942</u></u>

The accompanying notes are an integral part of the financial statements.

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2020

Note 1 - Summary of Significant Accounting Policies

The Incorporated Village of Freeport, New York ("Village") was established in 1892 and is governed by its Charter, New York State Village Law, and other general 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 serves 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 generally accepted accounting principles 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 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"). The Agency changed its fiscal year end to August 31 and the financial statements include the activity of the Agency for the eighteen months ended August 31, 2019.

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: (a) only the governing board of the Authority is appointed by the Village Mayor; (b) the local government 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 local government 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.

Note 1 - 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, except for interfund services provided and used. 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 are 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. Major individual governmental funds are reported as separate columns in the fund 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 include the cost of services, administrative expenses 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, which 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 explain the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation. The Village's resources are reflected in the fund financial statements in three broad fund categories, in accordance with generally accepted accounting principles as follows:

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Categories

- a. 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 represents the Village's major governmental funds.

General Fund - The General Fund constitutes the primary 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.

- b. 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.

- c. Fiduciary Funds (Not Included in Government-Wide Statements) - Fiduciary Funds are used to account for assets held by the Village in an agency capacity on behalf of others. The Agency Fund is used to account for employee payroll tax withholdings and various other deposits that are payable to other jurisdictions.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus 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 are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds. The Agency Fund 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.

Note 1 - Summary of Significant Accounting Policies (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. Property taxes are considered to be available if collected within sixty days of the fiscal year end. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are recognized as revenue when the expenditure is made. A ninety day availability period is generally used for revenue recognition for most other governmental fund revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to certain claims, tax certiorari, compensated absences, certain pension liabilities, net pension liabilities, total pension liabilities and other post employment benefit liabilities 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.

Component Unit

Component units are presented on the basis of accounting that most accurately reflect their activities. The Community Development Agency is accounted for on the accrual basis.

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

Cash and Equivalents, Investments and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and short-term investments with original maturities of less than three months from the date of acquisition.

The Village's deposits and investment policies are governed by State statutes. The Village has adopted its own written investment policy which provides for the deposit of funds in 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.

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 their 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 Service Awards Investments which are discussed in Note 3A) - Permissible investments 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

The Village follows the provisions of GASB Statement No. 72, “*Fair Value Measurement and Application*”, which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

The Village participates in the Cooperative Liquid Assets Securities System (“CLASS”), a cooperative investment pool, established pursuant to Articles 3A and 5G of General Municipal Law of the State of New York. CLASS has designated Public Trust Advisors, LLC as its registered investment advisor. Public Trust Advisors, LLC is registered with the Securities and Exchange Commission (“SEC”), and is subject to all of the rules and regulations of an investment advisor handling public funds. As such, the SEC provides regulatory oversight of CLASS.

The pool is authorized to invest in various securities issued by the United States and its agencies, obligations of the State of New York and repurchase agreements. These investments are reported at fair value. CLASS issues separately available audited financial statements with a year end of June 30th. At February 29, 2020, the Village had \$22,880,965 in CLASS investments.

The Village’s position in the pool is equal to the value of the pool shares. The maximum maturity for any specific investment in the portfolio is 397 days. CLASS is rated AAAM by Standard & Poor’s. Local government investment cooperatives in this rating category meet the highest standards for credit quality, conservative investment policies and safety of principal. The cooperative invests in a high quality portfolio of investments legally permissible for municipalities and school districts in the State.

Additional information concerning the cooperative is presented in the annual report of CLASS, which may be obtained from Public Trust Advisors, LLC, 717 17th Street, Suite 1850, Denver, CO 80202.

Risk Disclosure

Interest Rate Risk - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the Village does not invest in any long-term investment obligations.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Village’s deposits may not be returned to it. GASB Statement No. 40, “*Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3*”, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution’s trust department but not in the Village’s name. The Village’s aggregate

Note 1 - Summary of Significant Accounting Policies (Continued)

bank balances that were not covered by depository insurance were not exposed to custodial credit risk at February 29, 2020.

Credit Risk - Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Village does not have a formal credit risk policy other than restrictions to obligations allowable under General Municipal Law of the State of New York.

Concentration of Credit Risk - Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The Village's investment policy limits the amount on deposit at each of its banking institutions.

Taxes Receivable - Real property taxes are levied and become a lien no later than March 1st 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 1st and September 1st. The first half of real property taxes becomes delinquent after April 1st and the second half becomes delinquent after October 1st. 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 Trustees 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. To the extent that certain transactions between funds had not been paid or received as of February 29, 2020, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

Inventories - 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 average cost.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2020

Note 1 - Summary of Significant Accounting Policies (Continued)

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 pension 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 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.

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 as calculated under GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". In accordance with GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in the pre-November 30, 1989 Financial Accounting Standards Board and AICPA Pronouncements", the Village has deferred the excess of current annual required contributions over the amounts paid for the year ended February 29, 2020. 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 the future revenues for the year ended February 29, 2020 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	\$ 541,332	\$ 2,476,576	\$ 3,017,908
Costs included in current year rates			
Amount of current year payments	(238,846)	(1,021,666)	(1,260,512)
Changes in assumptions and other inputs	<u>276,126</u>	<u>1,662,964</u>	<u>1,939,090</u>
Costs to be recovered from future revenues	578,612	3,117,874	3,696,486
Beginning	<u>7,871,918</u>	<u>34,535,984</u>	<u>42,407,902</u>
Ending	<u>\$ 8,450,530</u>	<u>\$ 37,653,858</u>	<u>\$ 46,104,388</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 is 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 29, 2020, the Village's regulatory assets and liabilities, as reported in the Electric Fund, were \$400,499 and \$3,872,457, respectively.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2020

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported 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 estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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 backtrending (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 and equipment of the Village are depreciated using the straight-line method over the following estimated useful lives.

<u>Class</u>	<u>Life in Years</u>
Buildings	20-50
Improvements other than Buildings	20
Machinery 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 property, if any, is recorded at the fair market value of \$1. 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%

Note 1 - Summary of Significant Accounting Policies (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 depreciated 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 materials salvaged; and (d) an increase to the account for the minimal amount of cash receipts received.

Unearned Revenues - Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In government-wide financial statements, unearned revenues consist of revenue received in advance and/or revenue 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 \$11,057 for grant funds received in advance in the General Fund and \$229,241 for advance collections of fees in the Electric Fund. Such amounts have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

Deferred Outflows/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 \$666,479 for real property taxes in the General Fund. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Deferred outflows and inflows of resources have been reported on the government-wide Statement of Net Position for the following:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business - Type Activities	Governmental Activities	Business - Type Activities
New York State and Local Employees' Retirement System	\$ 2,518,377	\$ 2,148,055	\$ 973,300	\$ 829,802
New York State and Local Police and Fire Retirement System	9,332,833	-	2,073,093	-
Fire Service Awards Program	1,520,629	-	686,484	-
Other Postemployment Benefit Liability	34,103,283	12,081,827	4,502,467	1,569,453
Deferred Amounts on Refunding Bonds	704,190	1,583,431	-	-
	<u>\$ 48,179,312</u>	<u>\$ 15,813,313</u>	<u>\$ 8,235,344</u>	<u>\$ 2,399,255</u>

Note 1 - Summary of Significant Accounting Policies (Continued)

The amount reported for the deferred amounts on refunding bonds results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is being deferred and amortized over the shorter of the life of the refunded or refunding debt.

The Village also reported deferred outflows of resources and deferred inflows of resources in relation to its pension, fire service award and other postemployment benefit liabilities. These amounts are detailed in the discussion of the Village's pension, fire service award and other postemployment benefit liabilities in Note 3G.

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 expended 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 of 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 Pension Liability - The net pension liability represents the Village's proportionate share of the net pension liability of the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date".

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 its 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. Net position on the Statement of Net Position includes, net investment in capital assets and restricted for debt service. The balance is classified as unrestricted.

Fund Balances - 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:

Note 1 - Summary of Significant Accounting Policies (Continued)

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 General Municipal Law of the State of New York.

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 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 entity 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 entity's highest level of decision making authority or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. Unlike commitments, assignments generally only 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 governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 generally reported as assigned fund balance since they do not constitute expenditures or liabilities.

G. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is December 24, 2020.

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:

- a) Prior to December 20th, 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 1st. The tentative budget includes proposed expenditures and the means of financing for the General and Capital Projects funds.
- b) The Board of Trustees conducts a public hearing on the tentative budget to obtain taxpayer comments on or before January 15th.
- c) After the public hearing and on or before February 1st, the Trustees meet to consider and adopt the budget, at which time they are required to file the document with the Village Clerk.
- d) Formal budgetary integration is employed during the year as a management control device for the General Fund.

Note 2 - Stewardship, Compliance and Accountability (Continued)

- e) 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.
- f) 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 by 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.
- g) 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.

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 accordance with this definition, the maximum amount of the levy for the 2020 fiscal year was \$71,130,258 which exceeded the actual levy, after exclusions by \$28,078,740.

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 exclusions 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

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2020

Note 2 - Stewardship, Compliance and Accountability (Continued)

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 Deficit

The unassigned deficit in the Capital Projects Fund of \$2,530,303 arises because of the application of generally accepted accounting principles to the financial reporting of such funds. The proceeds of bond anticipation notes issued to finance construction of capital projects are not recognized as an “other financing source”. Liabilities for bond anticipation notes payable are accounted for in the Capital Projects Fund. 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.

Note 3 - Detailed Notes on All Funds

A. Investments

The Village had the following investments and average maturities in its Service Awards Program:

Type of Investment	Fair Value	N/A	1-5 Years	5-10 Years
Money market funds	\$ 138,078	\$ 138,078	\$ -	\$ -
Bond funds	3,752,320	-	1,309,653	2,442,667
U.S. and International equities funds	1,814,837	1,814,837	-	-
	<u>\$ 5,705,235</u>	<u>\$ 1,952,915</u>	<u>\$ 1,309,653</u>	<u>\$ 2,442,667</u>

These investments had the following average credit ratings:

Type of Investment	Fair Value	N/A	A or better	BBB	BB	B or less	Not Rated
Money market funds	\$ 138,078	\$ 138,078	\$ -	\$ -	\$ -	\$ -	\$ -
Bond funds	3,752,320	-	1,621,420	944,875	236,138	157,461	792,426
U.S. and International equities funds	1,814,837	1,814,837	-	-	-	-	-
	<u>\$ 5,705,235</u>	<u>\$ 1,952,915</u>	<u>\$ 1,621,420</u>	<u>\$ 944,875</u>	<u>\$ 236,138</u>	<u>\$ 157,461</u>	<u>\$ 792,426</u>

B. Taxes Receivable

Taxes receivable at February 29, 2020 consisted of the following:

Tax liens \$ 698,698

Taxes receivable in the fund financial statements are partially offset by deferred tax revenues of \$666,479 which represents an estimate of the taxes receivable which will not be collected within the first sixty days of the subsequent year.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2020

Note 3 - Detailed Notes on All Funds (Continued)

C. Due From/To Other Funds

The balances reflected as due from/to other funds at February 29, 2020 were as follows:

	<u>Due From</u>	<u>Due To</u>
Governmental Activities		
General Fund	\$ 3,444,661	\$ 1,067,796
Capital Projects Fund	839,490	798,706
Business-type Activities		
Water Fund	502,266	738,821
Electric Fund	362,265	2,543,359
	<u>\$ 5,148,682</u>	<u>\$ 5,148,682</u>

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

D. Capital Assets

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

<u>Class</u>	<u>Balance March 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance February 29, 2020</u>
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 7,068,069	\$ -	\$ 2,907,848	\$ 4,160,221
Construction-in-progress	1,925,194	806,352	1,923,284	808,262
Total Capital Assets, not being depreciated	<u>\$ 8,993,263</u>	<u>\$ 806,352</u>	<u>\$ 4,831,132</u>	<u>\$ 4,968,483</u>
Capital Assets, being depreciated:				
Buildings	\$ 15,472,834	\$ 243,550	\$ 130,111	\$ 15,586,273
Improvements Other Than Buildings	18,116,528	34,803	97,391	18,053,940
Machinery and Equipment	15,851,382	2,649,762	227,825	18,273,319
Intangibles - Software	1,253,583	35,601	-	1,289,184
Infrastructure	76,296,158	3,915,122	-	80,211,280
Total Capital Assets, being depreciated	<u>126,990,485</u>	<u>6,878,838</u>	<u>455,327</u>	<u>133,413,996</u>
Less Accumulated Depreciation for:				
Buildings	9,443,703	418,326	130,111	9,731,918
Improvements Other Than Buildings	12,007,962	726,213	97,391	12,636,784
Machinery and Equipment	12,586,283	850,973	227,825	13,209,431
Intangibles - Software	892,013	123,203	-	1,015,216
Infrastructure	44,940,984	2,337,651	-	47,278,635
Total Accumulated Depreciation	<u>79,870,945</u>	<u>4,456,366</u>	<u>455,327</u>	<u>83,871,984</u>
Total Capital Assets, being depreciated, net	<u>\$ 47,119,540</u>	<u>\$ 2,422,472</u>	<u>\$ -</u>	<u>\$ 49,542,012</u>
Governmental Activities Capital Assets, net	<u>\$ 56,112,803</u>	<u>\$ 3,228,824</u>	<u>\$ 4,831,132</u>	<u>\$ 54,510,495</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2020

Note 3 - Detailed Notes on All Funds (Continued)

Class	Balance March 1, 2019	Additions	Deletions	Balance February 29, 2020
Business-Type Activities:				
Water Fund:				
Capital Assets, not being depreciated - Land	\$ 85,981	\$ -	\$ -	\$ 85,981
Capital Assets, being depreciated:				
Buildings	\$ 9,447,075	\$ -	\$ -	\$ 9,447,075
Improvements Other Than Buildings	2,133,426	78,885	-	2,212,311
Machinery and Equipment	1,006,815	101,938	-	1,108,753
Infrastructure	20,648,920	140,990	-	20,789,910
Total Capital Assets, being depreciated	33,236,236	321,813	-	33,558,049
Less Accumulated Depreciation for:				
Buildings	2,783,136	184,544	-	2,967,680
Improvements Other Than Buildings	1,194,033	107,227	-	1,301,260
Machinery and Equipment	836,998	32,445	-	869,443
Infrastructure	12,095,470	466,306	-	12,561,776
Total Accumulated Depreciation	16,909,637	790,522	-	17,700,159
Total Capital Assets, being depreciated, net	\$ 16,326,599	\$ (468,709)	\$ -	\$ 15,857,890
Water Fund Capital Assets, net	\$ 16,412,580	\$ (468,709)	\$ -	\$ 15,943,871
Electric Fund:				
Capital Assets, not being depreciated:				
Land	\$ 84,239	\$ -	\$ -	\$ 84,239
Construction-in-progress	416,336	828,994	623,752	621,578
Total Capital Assets, not being depreciated	\$ 500,575	\$ 828,994	\$ 623,752	\$ 705,817
Capital Assets, being depreciated:				
Buildings	\$ 11,886,366	\$ 3,583	\$ 198	\$ 11,889,751
Machinery and Equipment	107,668,139	675,712	293,132	108,050,719
Total Capital Assets, being depreciated	119,554,505	679,295	293,330	119,940,470
Less Accumulated Depreciation for:				
Buildings	7,954,174	224,951	198	8,178,927
Machinery and Equipment	54,367,250	2,843,452	293,132	56,917,570
Total Accumulated Depreciation	62,321,424	3,068,403	293,330	65,096,497
Total Capital Assets, being depreciated, net	\$ 57,233,081	\$ (2,389,108)	\$ -	\$ 54,843,973
Electric Fund Capital Assets, net	\$ 57,733,656	\$ (1,560,114)	\$ 623,752	\$ 55,549,790

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2020

Note 3 - Detailed Notes on All Funds (Continued)

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

Governmental Activities:	
General Government Support	\$ 178,255
Public Safety	668,455
Transportation	2,049,927
Culture and Recreation	846,710
Home and Community Services	<u>713,019</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 4,456,366</u>
Business-Type Activities:	
Water Fund	\$ 790,522
Electric Fund	<u>3,068,403</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 3,858,925</u>

E. Accrued Liabilities

Accrued liabilities at February 29, 2020 were as follows:

	Governmental Activities - General Fund	Business- Type Activities - Water Fund	Total
Payroll and employee benefits	<u>\$ 715,747</u>	<u>\$ 36,170</u>	<u>\$ 751,917</u>

F. Short-Term Capital Borrowings

The schedule below details the changes in short-term capital borrowings:

Purpose	Original Issue Date	Maturity Date	Interest rate	Balance March 1, 2019	New Issues	Redemptions	Balance February 29, 2020
<u>Governmental Funds</u>							
Various public improvements	2/26/2019	4/30/2020	2.50 %	\$ 3,180,000	\$ -	\$ 890,000	\$ 2,290,000
Various public improvements	5/01/2018	4/30/2020	2.50	4,592,500	-	3,488,500	1,104,000
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
Total				<u>\$ 7,772,500</u>	<u>\$ 4,690,500</u>	<u>\$ 4,378,500</u>	<u>\$ 8,084,500</u>
<u>Business-type Activities - Water Fund</u>							
Various public improvements	2/26/2019	5/01/2019	- %	\$ 135,000	\$ -	\$ 135,000	\$ -
Various public improvements	5/01/2018	5/01/2019	-	1,100,000	-	1,100,000	-
				<u>\$ 1,235,000</u>	<u>\$ -</u>	<u>\$ 1,235,000</u>	<u>\$ -</u>
<u>Business-type Activities - Electric Fund</u>							
Various public improvements	7/31/2019	4/30/2020	2.00 %	\$ -	\$ 1,596,500	\$ -	\$ 1,596,500
Various public improvements	2/26/2019	5/01/2019	-	150,000	-	150,000	-
				<u>\$ 150,000</u>	<u>\$ 1,596,500</u>	<u>\$ 150,000</u>	<u>\$ 1,596,500</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2020

Note 3 - Detailed Notes on All Funds (Continued)

Liabilities for bond anticipation notes are generally accounted for in the Capital Projects Fund. Bond anticipation notes issued for judgments or settled claims are recorded in the fund paying the claim. Principal payments on bond anticipation notes must be made annually. State law requires that bond anticipation notes issued for capital purposes or judgments be converted to long-term obligations generally within five years after the original issue date.

Interest expenditures/expense of \$140,648 were recorded in the fund financial statements in the General Fund. Interest expense of \$84,442 was recorded in the government-wide financial statements for governmental activities. Interest expense of \$5,729 was recorded in the Water Fund and in the government-wide financial statements for business-type activities.

G. Long-Term Liabilities

The following table summarizes changes in the Village's long-term indebtedness for the year ended February 29, 2020:

	Balance March 1, 2019	New Issues/ Additions	Maturities and/or Payments	Balance February 29, 2020	Due Within One-Year
Governmental Activities:					
General obligation bonds payable:					
Capital Construction	\$ 29,678,976	\$ 3,010,000	\$ 4,081,387	\$ 28,607,589	\$ 4,304,786
Judgments and Claims	5,605,886	1,575,000	362,989	6,817,897	410,349
	35,284,862	4,585,000	4,444,376	35,425,486	4,715,135
Unamortized premium on bonds	1,450,327	-	172,037	1,278,290	-
	36,735,189	4,585,000	4,616,413	36,703,776	4,715,135
Bond anticipation notes payable	2,690,000	825,000	1,680,000	1,835,000	1,835,000
Claims payable	6,445,321	1,587,871	1,827,788	6,205,404	620,000
Tax certiorari payable	404,552	1,316,801	782,427	938,926	99,572
Compensated absences	22,185,097	4,071,048	2,218,000	24,038,145	2,400,000
Retirement incentives and other pension liabilities	3,290,722	-	637,099	2,653,623	658,861
Net pension liability	5,196,723	4,212,057	-	9,408,780	-
Total pension liability - Length of service award program	10,884,879	1,361,989	450,831	11,796,037	-
Other post employment benefit liabilities	122,346,544	50,094,303	4,170,280	168,270,567	-
Governmental Activities Long-Term Liabilities	\$ 210,179,027	\$ 68,054,069	\$ 16,382,838	\$ 261,850,258	\$ 10,328,568
Business-Type Activities:					
Bonds payable	\$ 48,605,142	\$ 1,295,000	\$ 3,785,623	\$ 46,114,519	\$ 3,974,865
Unamortized premium on bonds	2,358,119	-	206,110	2,152,009	-
	50,963,261	1,295,000	3,991,733	48,266,528	3,974,865
Compensated absences	3,311,605	268,172	331,000	3,248,777	302,500
Retirement incentives and other pension liabilities	1,145,530	-	232,094	913,436	240,195
Net pension liability	1,051,349	1,227,570	-	2,278,919	-
Other post employment benefit liabilities	40,484,599	17,392,675	1,260,512	56,616,762	-
Business - Type Activities Long-Term Liabilities	\$ 96,956,344	\$ 20,183,417	\$ 5,815,339	\$ 111,324,422	\$ 4,517,560
Component Unit:					
Other post employment benefit obligations payable	\$ 580,276	\$ 36,904	\$ 41,151	\$ 576,029	\$ -

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2020

Note 3 - Detailed Notes on All Funds (Continued)

Each governmental fund's liability for compensated absences and claims payable are liquidated by the respective fund. The Village's indebtedness for general obligations bonds, bond anticipation notes, tax certiorari payable, retirement incentives and other pension liabilities, net pension liability, total pension liability and other post employment benefit liabilities is satisfied by the General Fund or the appropriate Proprietary Fund.

General Obligation Bonds Payable

General obligation bonds payable at February 29, 2020 are comprised of the following individual issues:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rates	Governmental Funds	Business - Type Activities		Total
						Water Fund	Electric Fund	
2011 Series A	2011	\$ 4,680,000	05/01/2022	3.250-3.625 %	\$ 1,190,000	\$ 300,000	\$ -	\$ 1,490,000
2011 Series B - Refunding	2011	8,350,000	06/01/2024	3.000-4.000	1,854,436	722,082	603,482	3,180,000
2012 Series A - Refunding	2012	48,680,000	01/15/2032	3.000-5.000	-	-	33,920,000	33,920,000
2013 Series A	2013	5,965,000	05/01/2022	2.000	2,150,000	-	-	2,150,000
2014 Series A	2014	6,925,000	05/02/2028	3.000	3,795,000	705,000	-	4,500,000
2014 Series A - Refunding	2014	8,490,000	05/03/2024	2.125-4.000	1,547,950	317,050	-	1,865,000
2015 Series A - Refunding	2015	8,390,000	02/28/2026	2.250-5.000	2,622,246	2,480,674	152,080	5,255,000
2016 Series A - Refunding	2016	13,730,000	05/01/2028	3.000-5.000	8,534,468	547,213	2,943,319	12,025,000
2016 Series B - Refunding	2016	1,350,000	05/01/2023	1.750-2.250	-	-	1,020,000	1,020,000
2017 Series A	2017	11,530,500	11/01/2031	2.125-3.000	9,146,386	152,529	956,090	10,255,005
2019 Series A	2019	5,880,000	04/15/2037	1.500-3.000	4,585,000	1,145,000	150,000	5,880,000
					<u>\$ 35,425,486</u>	<u>\$ 6,369,548</u>	<u>\$ 39,744,971</u>	<u>\$ 81,540,005</u>

Interest expenditures/expense of \$2,748,058 was recorded in the fund financial statements, as detailed below. Interest expense of \$938,154 was recorded in the government-wide financial statements for governmental activities.

Fund	Amount
Governmental Funds - General	\$ 982,091
Proprietary Funds	
Water	185,792
Electric	1,580,175
	<u>\$ 2,748,058</u>

Bond Anticipation Notes Payable

The schedule below details the changes in bond anticipation notes payable.

Purpose	Original Issue Date	Maturity Date	Interest Rate	Balance March 1, 2019	New Issues	Redemptions	Balance February 29, 2020
Tax certiorari/claims and judgments	2/26/2019	4/30/2020	2.89 %	\$ 2,690,000	\$ 825,000	\$ 1,680,000	\$ 1,835,000

The Village, pursuant to GASB guidance, has not recorded these liabilities in the fund financial statements since it has demonstrated an ability to consummate refinancing. The ability to consummate refinancing was evidenced by obtaining permanent financing or a renewal of the notes prior to the issuance of the financial statements (See Note 6).

Interest expenditures/expense of \$53,266 were recorded in the fund financial statements in the General Fund and in the government-wide financial statements for governmental activities.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2020

Note 3 - Detailed Notes on All Funds (Continued)

Payments to Maturity

The annual requirements to amortize all bonded and bond anticipation note debt outstanding as of February 29, 2020, including interest payments of \$15,337,031 are as follows:

Year Ending February 28,	Governmental Activities			
	Bonds Payable		Bond Anticipation Notes Payable	
	Principal	Interest	Principal	Interest
2021	\$ 4,715,135	\$ 1,033,439	\$ 1,835,000	\$ 50,463
2022	4,899,960	847,013	-	-
2023	5,029,704	705,983	-	-
2024	3,652,220	573,235	-	-
2025	3,788,743	455,468	-	-
2026-2030	9,221,134	1,130,119	-	-
2031-2035	3,163,383	304,839	-	-
2036-2038	955,207	45,574	-	-
	<u>\$ 35,425,486</u>	<u>\$ 5,095,670</u>	<u>\$ 1,835,000</u>	<u>\$ 50,463</u>

Year Ending February 28,	Business-Type Activities			
	Water Fund		Electric Fund	
	Bonds Payable		Bonds Payable	
	Principal	Interest	Principal	Interest
2021	\$ 943,534	\$ 185,014	\$ 3,031,331	\$ 1,482,999
2022	984,381	145,537	3,175,659	1,348,087
2023	1,007,583	117,531	3,327,713	1,210,202
2024	809,090	91,283	3,493,690	1,062,513
2025	832,176	67,835	3,394,081	907,053
2026-2030	1,171,658	139,297	16,197,208	2,961,759
2031-2035	382,583	63,814	7,094,034	395,667
2036-2038	238,543	10,872	31,255	1,435
	<u>\$ 6,369,548</u>	<u>\$ 821,183</u>	<u>\$ 39,744,971</u>	<u>\$ 9,369,715</u>

Total		
Year Ending February 28,	Principal	Interest
2021	\$ 10,525,000	\$ 2,751,915
2022	9,060,000	2,340,637
2023	9,365,000	2,033,716
2024	7,955,000	1,727,031
2025	8,015,000	1,430,356
2026-2030	26,590,000	4,231,175
2031-2035	10,640,000	764,320
2036-2038	1,225,005	57,881
	<u>\$ 83,375,005</u>	<u>\$ 15,337,031</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2020

Note 3 - Detailed Notes on All Funds (Continued)

The above 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.

Claims Payable

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 estimated future costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and other factors that are considered to be appropriate modifiers of past experience.

An analysis of the unpaid claim liabilities is as follows:

	Workers' Compensation Benefits		General Liability	
	2020	2019	2020	2019
Balance - Beginning of Year	\$ 5,070,544	\$ 6,367,554	\$ 1,374,777	\$ 1,397,789
Provision for Claims and Claims Adjustment Expenses	310,581	(72,013)	1,277,290	1,280,451
Claims and Claims Adjustment Expenses Paid	<u>(840,803)</u>	<u>(1,224,997)</u>	<u>(986,985)</u>	<u>(1,303,463)</u>
Balance - End of Year	<u>\$ 4,540,322</u>	<u>\$ 5,070,544</u>	<u>\$ 1,665,082</u>	<u>\$ 1,374,777</u>
Due Within One Year	<u>\$ 453,000</u>	<u>\$ 507,000</u>	<u>\$ 167,000</u>	<u>\$ 137,000</u>

This amount has been recorded as an expense and liability in the government-wide financial statements. Tax certiorari payable includes an estimated liability of \$938,926 for tax certiorari refunds, which are not due and payable at year end. These amounts have been recorded as an expense in the government-wide financial statements.

Compensated Absences

Village employees are granted vacation and sick leave and earn compensatory absences in varying amounts, the terms of which must 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 (Continued)
February 29, 2020

Note 3 - Detailed Notes on All Funds (Continued)

Estimated vacation, sick leave and compensatory absences accumulated by governmental and business-type 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, management 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 29, 2020, the value of accumulated vacation time and sick leave for governmental and business-type activities was \$27,286,922.

Retirement Incentives and Other Pension Liabilities

The State Legislature enacted Chapter 57 of the Laws of 2010. This chapter authorized local governments, at their option, to amortize a portion of their respective ERS and PFRS contributions beginning in 2010. The maximum amortization amount each year going forward will be determined by the difference between each employer's effective contribution rate as compared to the System's 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 will be 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 outlined in the table below.

	Original Amount Amortized	Current Year Payments	Balance Due	Due Within One Year
2011 ERS	\$ 219,327	\$ 27,988	\$ 29,387	\$ 29,388
2012 ERS	810,977	88,421	186,913	91,736
2012 PFRS	473,278	51,601	109,080	53,536
2013 ERS	1,066,045	111,037	353,500	114,368
2013 PFRS	745,692	77,670	247,272	80,000
2014 ERS	1,498,544	151,765	664,840	157,335
2014 PFRS	1,247,658	126,356	553,533	130,994
2015 ERS	658,090	64,540	354,506	66,573
2015 PFRS	689,872	67,657	371,627	69,788
2016 ERS	596,628	56,668	380,314	58,486
2016 PFRS	362,126	34,395	230,834	35,498
2017 PFRS	117,786	11,095	85,253	11,354
	<u>\$ 8,486,023</u>	<u>\$ 869,193</u>	<u>\$ 3,567,059</u>	<u>\$ 899,056</u>

The current year payments were charged to retirement expenditures in the funds identified below:

Fund	ERS	PFRS	Total
General	\$ 268,325	\$ 368,774	\$ 637,099
Water	43,486	-	43,486
Electric	188,608	-	188,608
	<u>\$ 500,419</u>	<u>\$ 368,774</u>	<u>\$ 869,193</u>

Note 3 - Detailed Notes on All Funds (Continued)

Pension Plans

New York State and Local Retirement System

The Village participates in the New York State and Local Employees' Retirement System ("ERS") and the New York State and Local Police and Fire Retirement System ("PFRS") which are collectively referred to as the New York State and Local Retirement System ("System"). These are cost-sharing, multiple-employer defined benefit pension plans. 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 assets and record changes in fiduciary net position. 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. Obligations of employers and employees to contribute and benefits to employees are governed by 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 Village also participates in the Public Employees' Group Life Insurance Plan, which provides death benefits in the form of life insurance. 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 found at www.osc.state.ny.us/retire/about_us/financial_statements_index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% of their salary for their entire length of service. 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 System's fiscal year ending March 31. The employer contribution rates for the plan's year ending in 2020 are as follows:

	<u>Tier/Plan</u>	<u>Rate</u>
ERS	3 A14	15.8 %
	4 A15	15.8
	5 A15	13.2
	6 A15	9.3
PFRS	2 384E	25.1 %
	5 384E	20.6/24.0
	6 384E	15.3

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 29, 2020

Note 3 - Detailed Notes on All Funds (Continued)

At February 29, 2020, the Village reported the following for its proportionate share of the net pension liability for ERS and PFRS:

	<u>ERS</u>	<u>PFRS</u>
Measurement date	March 31, 2019	March 31, 2019
Net pension liability	\$ 4,944,704	\$ 6,742,995
Village's proportion of the net pension liability	0.0697882%	0.4020716%
Change in proportion since the prior measurement date	(0.001197%)	0.010578%

The net pension liability was measured as of March 31, 2019 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 computation of the actuarially determined indexed present value of future compensation by employer relative to the total of all participating members.

For the year ended February 29, 2020, the Village recognized pension expense in the government-wide financial statements of \$1,704,167 for governmental activities and \$1,620,793 for business-type activities for ERS and \$5,009,252 for PFRS for governmental activities. Pension expenditures of \$2,620,869 for ERS and \$4,103,289 for PFRS were recorded in the fund financial statements and were charged to the following funds:

	<u>ERS</u>	<u>PFRS</u>
General Fund	\$ 1,476,307	\$ 4,103,289
Enterprise Fund - Water	195,555	-
Enterprise Fund - Electric	949,007	-
	<u>\$ 2,620,869</u>	<u>\$ 4,103,289</u>

At February 29, 2020, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>ERS - Governmental Activities</u>		<u>ERS - Business-type Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 525,078	\$ 179,173	\$ 448,638	\$ 152,756
Changes of assumptions	670,906	-	571,991	-
Net difference between projected and actual earnings on pension plan investments	-	685,041	-	584,043
Changes in proportion and differences between Village contributions and proportionate share of contributions	6,242	109,086	5,320	93,003
Village contributions subsequent to the measurement date	1,316,151	-	1,122,106	-
	<u>\$ 2,518,377</u>	<u>\$ 973,300</u>	<u>\$ 2,148,055</u>	<u>\$ 829,802</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 29, 2020

Note 3 - Detailed Notes on All Funds (Continued)

	PFRS - Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,638,060	\$ 719,926
Changes of assumptions	2,449,910	-
Net difference between projected and actual earnings on pension plan investments	-	1,350,457
Changes in proportion and differences between Village contributions and proportionate share of contributions	1,532,577	2,710
Village contributions subsequent to the measurement date	3,712,286	-
	<u>\$ 9,332,833</u>	<u>\$ 2,073,093</u>

\$2,438,257 and \$3,712,286 reported as deferred outflows of resources related to ERS and PFRS, respectively, resulting from the Village's accrued contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the plan's year ended March 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS and PFRS will be recognized in pension expense as follows:

Year Ended March 31,	ERS Governmental Activities	ERS Business-type Activities	PFRS Governmental Activities
2020	\$ 525,014	\$ 447,608	\$ 1,877,098
2021	(560,454)	(477,824)	147,015
2022	(79,983)	(68,191)	310,491
2023	344,349	294,554	965,426
2024	-	-	247,424
Thereafter	-	-	-

The total pension liability for the March 31, 2019 measurement date was determined by using an actuarial valuation date as noted below, with update procedures used to roll forward the total pension liabilities to that measurement date. Significant actuarial assumptions used in the valuation were as follows:

	ERS	PFRS
Measurement date	March 31, 2019	March 31, 2019
Actuarial valuation date	April 1, 2018	April 1, 2018
Investment rate of return	7.0% *	7.0% *
Salary scale	4.2%	5.0%
Inflation rate	2.5%	2.5%
Cost of living adjustments	1.3%	1.3%

*Compounded annually, net of pension plan investment expenses, including inflation.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 29, 2020

Note 3 - Detailed Notes on All Funds (Continued)

Annuitant mortality rates are based on the April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

The actuarial assumptions used in the valuation are based on the result of an actuarial experience study for the period April 1, 2010 – 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 return, net of investment expenses 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 is summarized in the following table.

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	36 %	4.55 %
International Equity	14	6.35
Private Equity	10	7.50
Real Estate	10	5.55
Absolute Return Strategies	2	3.75
Opportunistic Portfolio	3	5.68
Real Assets	3	5.29
Bonds and Mortgages	17	1.31
Cash	1	(0.25)
Inflation Indexed Bonds	4	1.25
	<u>100 %</u>	

The real rate of return is net of the long-term inflation assumption of 2.5%.

The discount rate used to calculate the total pension liability was 7.0%. 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 determined. Based upon those 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.

The following presents the Village's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Village's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2020

Note 3 - Detailed Notes on All Funds (Continued)

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Governmental Activities proportionate share of the ERS net pension liability (asset)	\$ 11,669,783	\$ 2,665,785	\$ (4,892,090)
Business-type Activities proportionate share of the ERS net pension liability (asset)	\$ 9,949,253	\$ 2,278,919	\$ (4,170,827)
Governmental Activities proportionate share of the PFRS net pension liability (asset)	\$ 24,368,176	\$ 6,742,995	\$ (7,976,077)

The components of the collective net pension liability as of the March 31, 2019 measurement date were as follows:

	ERS	PFRS	Total
Total pension liability	\$ 189,803,429,000	\$ 34,128,100,000	\$ 223,931,529,000
Fiduciary net position	182,718,124,000	32,451,037,000	215,169,161,000
Employers' net pension liability	\$ 7,085,305,000	\$ 1,677,063,000	\$ 8,762,368,000
Fiduciary net position as a percentage of total pension liability	96.27%	95.09%	96.09%

Employer contributions to ERS and PFRS are paid annually and cover the period through the end of the System's fiscal year, which is March 31st. Retirement contributions as of February 29, 2020 represent the employer contribution for the period of April 1, 2019 through February 29, 2020 based on paid ERS and PFRS wages multiplied by the employers' contribution rate, by tier.

Voluntary Defined Contribution Plan

The Village can offer a defined contribution plan to all non-union employees hired on or after July 1, 2013 and earning at the annual full-time salary rate of \$75,000 or more. The employee contribution is between 3% and 6% depending on salary and the Village will contribute 8%. Employer contributions vest after 366 days of service. No current employees participated in this program.

Fire Service Awards 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 the provisions of the Program point system, are eligible to become participants in the Program. Points are granted for the performance of certain activities in accordance with a system established by the Village on the basis of a statutory list of activities and point values. A participant may also receive credit for five years of firefighting service rendered prior

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 29, 2020

Note 3 - Detailed Notes on All Funds (Continued)

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, 2019 measurement date, the following participants were covered by the benefit terms.

Inactive participants currently receiving benefits payments	69
Inactive participants entitled to but not yet receiving benefits payments	106
Active participants	<u>240</u>
Total	<u><u>415</u></u>

The General Municipal Law of the State of New York requires the Village to contribute an actuarially determined contribution 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, 2019 measurement date was determined using an actuarial valuation as of that date.

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method: Entry Age Normal

Inflation: 2.25%

Salary Scale: None assumed

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

The discount rate used to measure the total pension liability was 3.26%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019. In describing this index, S&P Dow Jones Indices notes that the index consists of bonds in the S&P Municipal Bond Index with maturity of 20 years and with a rating of at least Aa2 by Moody's Investors Services, AA by Fitch or AA by Standard & Poor's Rating Services.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 29, 2020

Note 3 - Detailed Notes on All Funds (Continued)

The Village's change in the total pension liability for the Program's year ended December 31, 2019 is as follows:

Total Pension Liability - Beginning of Period	\$ 10,884,879
Service cost	234,981
Interest	396,558
Changes of assumptions or other inputs	648,368
Differences between expected and actual experience	82,082
Benefit payments	<u>(450,831)</u>
Total Pension Liability - End of Period	<u>\$ 11,796,037</u>

The following presents the total pension liability of the Village as of the December 31, 2019 measurement date, calculated using the discount rate of 3.26%, as well as what the Village's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.26%) or 1-percentage point higher (4.26%) than the current rate:

	1% Decrease (2.26%)	Current Assumption (3.26%)	1% Increase (4.26%)
	<u> </u>	<u> </u>	<u> </u>
Total Pension Liability	<u>\$ 13,774,660</u>	<u>\$ 11,796,037</u>	<u>\$ 10,193,217</u>

For the year ended February 29, 2020, the Village recognized fire service award pension expenditures of \$504,997 in the General Fund and fire service award expense of \$774,785 in the government-wide financial statements. At February 29, 2020, the Village reported deferred outflows of resources and deferred inflows of resources related to the Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 132,462	\$ -
Changes of assumptions or other inputs	1,283,271	686,484
Benefit payments and administrative expenses subsequent to the measurement date	<u>104,896</u>	<u>-</u>
	<u>\$ 1,520,629</u>	<u>\$ 686,484</u>

\$104,896 reported as deferred outflows of resources related to the Program resulting from the Village's contributions subsequent to the measurement date will be recognized as a reduction of the total Program liability in the year ended December 31, 2020.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 29, 2020

Note 3 - Detailed Notes on All Funds (Continued)

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 Ended	
<u>February 29,</u>	
2021	\$ 81,925
2022	81,925
2023	81,925
2024	81,925
2025	81,925
Thereafter	319,624

Other Post Employment Benefit Liability (“OPEB”)

In addition to providing pension benefits, the Village provides certain health care benefits for retired employees through a single employer defined benefit OPEB plan. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the Village may vary according to length of service. The cost of providing post employment health care benefits is shared between the Village and the retired employee as noted below. Substantially all of the Village's employees may become eligible for those benefits if they reach normal retirement age while working for the Village. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *“Accounting and Financial Reporting for Postemployment Benefits Other than Pensions”*, so the net OPEB liability is equal to the total OPEB liability. Separate financial statements are not issued for the plan.

At February 29, 2020, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	301
Active employees	<u>327</u>
	<u><u>628</u></u>

The Village's total OPEB liability of \$224,887,329 (\$168,270,567 for governmental activities and \$56,616,762 for business-type activities) was measured as of February 29, 2020, and was determined by an actuarial valuation as of March 1, 2019.

The total OPEB liability in the March 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	3.50%
Discount rate	2.46%
Healthcare cost trend rates	7.00% for 2020, decreasing by up to .5% per year to an ultimate rate of 5.0% for 2024
Retirees' share of benefit-related costs	Varies from 0% to 100%, depending on applicable retirement year and bargaining unit

The discount rate was based on the Bond Buyer 20-Bond Index.

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 29, 2020

Note 3 - Detailed Notes on All Funds (Continued)

Mortality rates were based on the projection scale MP 2017.

The actuarial assumptions used in the March 1, 2019 valuation for turnover and retirement for ERS and PFRS were based on the April 1, 2010 to March 31, 2015 experience study released by the Retirement Systems Actuary and published in their August 2015 report.

The Village's change in the total OPEB liability for the year ended February 29, 2020 is as follows:

	Governmental Activities	Business-type Activities			Total Primary Government
		Water Fund	Electric Fund	Total	
Total OPEB Liability - Beginning of Year, as restated	\$ 122,346,544	\$ 7,465,183	\$ 33,019,416	\$ 40,484,599	\$ 162,831,143
Service cost	5,153,679	224,104	1,069,437	1,293,541	6,447,220
Interest	5,255,789	317,228	1,407,139	1,724,367	6,980,156
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	-	-	-	-	-
Changes in assumptions or other inputs	39,684,835	2,935,236	11,439,531	14,374,767	54,059,602
Benefit payments	(4,170,280)	(238,846)	(1,021,666)	(1,260,512)	(5,430,792)
Total OPEB Liability - End of Year	<u>\$ 168,270,567</u>	<u>\$ 10,702,905</u>	<u>\$ 45,913,857</u>	<u>\$ 56,616,762</u>	<u>\$ 224,887,329</u>

The following presents the total OPEB liability of the Village, as well as what the Village's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.46%) or 1 percentage point higher (3.46%) than the current discount rate:

	1% Decrease (1.46%)	Current Assumption (2.46%)	1% Increase (3.46%)
Total OPEB Liability	<u>\$ 268,345,661</u>	<u>\$ 224,887,329</u>	<u>\$ 190,976,836</u>

The following presents the total OPEB liability of the Village, as well as what the Village's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) or 1 percentage point higher (8.5% decreasing to 6.0%) than the current healthcare cost trend rates:

	1% Decrease (6.0% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.0% decreasing to 5.0%)	1% Increase (8.0% decreasing to 6.0%)
Total OPEB Liability	<u>\$ 183,780,012</u>	<u>\$ 224,887,329</u>	<u>\$ 279,943,587</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2020

Note 3 - Detailed Notes on All Funds (Continued)

For the year ended February 29, 2020, the Village recognized OPEB expense of \$10,922,343 in the government-wide financial statements and \$9,571,144 in the business-type activities. At February 29, 2020, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business - Type Activities	Governmental Activities	Business - Type Activities
Changes of assumptions or other inputs	\$ 34,103,283	\$ 12,081,827	\$ 4,502,467	\$ 1,569,453
Differences between expected and actual experience	-	-	-	-
	<u>\$ 34,103,283</u>	<u>\$ 12,081,827</u>	<u>\$ 4,502,467</u>	<u>\$ 1,569,453</u>

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

Year Ended February 29,	Governmental Activities	Business - Type Activities
2021	\$ 4,683,155	\$ 1,939,090
2022	4,683,155	1,939,090
2023	4,683,155	1,939,090
2024	4,683,155	1,941,112
2025	4,683,155	1,882,247
Thereafter	6,185,041	871,745

H. Revenues and Expenditures

Charges in Lieu of Taxes

The proprietary funds of the Village do not pay property taxes on their facilities. Instead, they make payments to the General Fund in lieu of taxes. The amounts charged to the Water and Electric Funds for the year ending February 29, 2020 were \$ 1,344,150 and \$3,747,000, respectively.

Interfund Transfers

Interfund transfers are defined as the flow of assets, such as cash or goods and services, without the equivalent flow of assets in return. The interfund transfers reflected below have been reflected as transfers:

Transfers Out	Transfers In		Total
	General Fund	Capital Projects Fund	
General Fund	\$ -	\$ 35,000	\$ 35,000
Capital Projects Fund	323,764	-	323,764
Water Fund	150,000	-	150,000
	<u>\$ 473,764</u>	<u>\$ 35,000</u>	<u>\$ 508,764</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 29, 2020

Note 3 - Detailed Notes on All Funds (Continued)

Transfers are used to 1) move funds earmarked in the operating funds to fulfill commitments for Capital Projects Fund expenditures, 2) move amounts in the Capital Projects Fund to the General Fund as projects with remaining balances are completed and 3) move amounts earmarked in the Water Fund to fulfill commitments of General Fund's expenditures.

I. Net Position

The components of net position are detailed below:

Net Investment in Capital Assets - the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted for Debt Service - the component of net position that reports the difference between assets and liabilities with constraints placed on their use by Local Finance Law.

Unrestricted - all other amounts that do not meet the definition of "restricted" or "net investment in capital assets".

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2020

Note 3 - Detailed Notes on All Funds (Continued)

J. Fund Balances

	February 29, 2020			February 28, 2019		
	General Fund	Capital Projects Fund	Total	General Fund	Capital Projects Fund	Total
Nonspendable:						
Inventories	\$ 338,045	\$ -	\$ 338,045	\$ 351,724	\$ -	\$ 351,724
Prepaid expenditures	469,512	-	469,512	472,936	-	472,936
Total Nonspendable	807,557	-	807,557	824,660	-	824,660
Restricted:						
Debt service	549,224	-	549,224	122,579	-	122,579
Debt service - for subsequent year's expenditures	158,385	-	158,385	373,061	-	373,061
Pension benefits	5,631,872	-	5,631,872	5,685,175	-	5,685,175
Total Restricted	6,339,481	-	6,339,481	6,180,815	-	6,180,815
Assigned -						
Purchases on order - General government support	14,834	-	14,834	39,020	-	39,020
Unassigned	16,427,379	(2,530,303)	13,897,076	8,262,743	(1,484,362)	6,778,381
Total Fund Balances (Deficits)	\$ 23,589,251	\$ (2,530,303)	\$ 21,058,948	\$ 15,307,238	\$ (1,484,362)	\$ 13,822,876

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2020

Note 3 - Detailed Notes on All Funds (Continued)

Certain elements of fund balance are described above. Those additional elements which are not reflected in the Statement of Net Position but are reported in the governmental funds balance sheet are described below.

Inventories in the General Fund have been classified as nonspendable to indicate that a portion of fund balance is not "available" for expenditure because the asset is in the form commodities and the Village anticipates utilizing them in the normal course of operations.

Prepaid Expenditures has been established to account for the retirement expenditures made in advance. This amount is classified as nonspendable to indicate that the funds are not "available" for appropriation or expenditure even though they are a component of current assets.

Restricted for Pension Benefits represents funds set aside to be used for LOSAP pension benefits in accordance with Article 11-A of the General Municipal Law of the State of New York.

Purchases on order are assigned and represent the Village's intention to honor the contracts in process at year-end. The subsequent year's appropriations will be amended to provide authority to complete the transactions.

Subsequent year's expenditures are amounts that at February 29, 2020, the Village Board has utilized to be appropriated to the ensuing year's budget.

Unassigned fund balance in the General Fund represents amounts not classified as restricted, committed or assigned. Unassigned fund balance in the Capital Projects Fund represents the deficit in the fund.

Note 4 - Summary Disclosure of Significant Contingencies

A. Litigation

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 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. 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 manage 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

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)

February 29, 2020

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

approximately \$63.95 million for the Electric Plant and \$67.27 million 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, with the exception of the elimination of the excess workers' compensation policy 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 29, 2020 were \$4,540,322 and \$1,665,082, respectively (see Note 3G).

C. Contingencies

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

Note 5 - 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.

Copies of the agreements may be obtained from the Village. Information relevant to disclosure of these agreements for the fiscal year ended February 29, 2020 is as follows:

Agreement	Taxable Assessed Value	Tax Rate	Tax Value	PILOT Received	Taxes Abated
Town of Hempstead IDA C/O Whaley Realty II LLC 27 Saint Johns PL	\$ 37,085	\$ 0.62	\$ 23,102	\$ 23,102	\$ -
Freeport, NY 11520-4606	70,784	0.62	44,085	44,085	-
EAS Commercial ST LLC	59,935	0.62	36,585	36,585	-
Town of Hempstead IDA C/O North Shore Linen INC	81,913	0.62	51,024	51,024	-
Colombia 72 Albany Realty	59,818	0.62	37,264	37,264	-
Freeport Housing Authority	2,377,164	0.62	1,480,878	136,675	1,344,203
Village of Freeport - Water	4,151,680	0.62	2,586,331	1,344,150	1,242,181
Village of Freeport - Electric	6,030,223	0.62	3,756,588	3,747,000	9,588
	<u>\$ 12,868,602</u>		<u>\$ 8,015,857</u>	<u>\$ 5,419,885</u>	<u>\$ 2,595,972</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)
February 29, 2020

Note 6 - Subsequent Events

The Village, on April 29, 2020, issued \$1,750,000 of bond anticipation notes for various tax certiorari judgements with interest at 2.25% and maturing on April 29, 2021.

The Village, on April 29, 2020, issued \$3,469,690 of bond anticipation notes for various capital improvements with interest at 2.10% and maturing on April 29, 2021.

The Village, on April 29, 2020, issued \$4,431,810 of bond anticipation notes for various capital improvements with interest at 2.05% and maturing on April 29, 2021.

The Village, on October 7, 2020, issued \$33,465,000 of refunding serial bonds. The bonds mature annually through 2031, with interest rates ranging from 0.190 to 1.819%, depending on maturity.

The Village, on December 15, 2020, issued \$3,171,000 of bond anticipation notes for various capital improvements with interest at 1.00% and maturing on April 29, 2021

Coronavirus

On March 11, 2020, the World Health Organization declared a global pandemic as a result of the spread of Coronavirus. This was followed by the President of the United States declaring the outbreak of Coronavirus a national emergency on March 13, 2020.

Preceding these announcements, the Governor of the State of New York declared a state of emergency on March 7, 2020 and has since issued multiple Executive Orders regarding the pandemic. Furthermore, the Enacted 2020-21 New York State budget granted the Budget Director the authority to reduce state aid payments to local governments and school districts by any amount needed to achieve a balanced budget. The Budget Director is authorized, under Section 1(f) of Chapter 53 of the Laws of 2020, to withhold all or some of specific local aid payments during state fiscal year 2020-21, that began on April 1, 2020, if the budget is deemed unbalanced and if the Budget Director further determines that such withholding is necessary to respond to the direct and indirect economic financial and social effects of the Coronavirus pandemic ("Reduction Authority").

The ultimate size of any permanent reductions would depend in part on the availability of unrestricted Federal aid. The Federal government has not reached a consensus on additional recovery legislation at this time. Therefore, in the interim, without assurance of Federal aid, New York State has begun withholding a minimum of 20% of most municipal and school district aid payments to achieve the cash flow savings anticipated in the Executive Budget Financial Plan as updated for the Governor's amendments and forecast revisions pursuant to the Reduction Authority.

In addition to these New York State actions, the Village's economically sensitive revenues (i.e., sales tax distributions, mortgage tax, interest earnings, charges for services) are being negatively impacted. Meanwhile, the Village's expenditures on health and safety measures (personal protective equipment, sanitizing supplies, custodial overtime, technology acquisitions to support a safe working environment) will increase significantly.

The outbreak of the Coronavirus and the dramatic steps taken by the Federal government and New York State to address it will continue to negatively affect New York State and its local economies. The full impact of the Coronavirus on New York State's operations and financial condition is not expected to be known for some time. Similarly, the degree of the impact on the Village's future operations and finances as a result of the Coronavirus is extremely difficult to predict due to uncertainties relating to its duration and severity, as well as with regard to what actions may be taken by governmental and other health care

Incorporated Village of Freeport, New York

Notes to Financial Statements (Concluded)
February 29, 2020

Note 6 - Subsequent Events (Continued)

authorities, including New York State, to contain or mitigate its effects. The spread of the outbreak or reemergence later in the year could have a material adverse financial effect on New York State and local municipalities, including the Village. The Village is continuously monitoring the situation and will take such proactive measures as may be required to maintain operations and meet its obligations. Given this level of uncertainty, management cannot reasonably estimate the actual impact on the Village's future financial position at this time.

Village of Freeport, New York

Required Supplementary Information - Schedule of Changes in the
 Village's Total OPEB Liability and Related Ratios
 Last Ten Fiscal Years (1)(2)

	<u>2020</u>	<u>2019</u>
Total OPEB Liability:		
Service cost	\$ 6,447,220	\$ 6,877,695
Interest	6,980,156	6,448,480
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions or other inputs	54,059,602 (4)	(8,576,414)
Benefit payments	<u>(5,430,792)</u>	<u>(5,020,340)</u>
Net Change in Total OPEB Liability	62,056,186	(270,579)
Total OPEB Liability – Beginning of Year	<u>162,831,143</u>	<u>163,101,722</u> (3)
Total OPEB Liability – End of Year	<u>\$ 224,887,329</u>	<u>\$ 162,831,143</u>
Village's covered-employee payroll	<u>\$ 37,535,618</u>	<u>\$ 38,117,463</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>599.13%</u>	<u>427.18%</u>

(1) Data not available prior to fiscal year 2018 implementation of Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions".

(2) No assets are accumulated in a trust that meets the criteria in paragraph 4 of this Statement to pay related benefits.

(3) Restated for the implementation of the provisions of GASB Statement No. 75.

(4) The discount rate utilized for 2020 was 2.46% as compared to 4.19% in the prior year.

Incorporated Village of Freeport, New York

Required Supplementary Information
 New York State and Local Employees' Retirement System
 Last Ten Fiscal Years (1)

Schedule of Village's Proportionate Share of Net Pension Liability (2)

	2020	2019	2018	2017 (3)	2016
Village's proportion of the net pension liability	<u>0.0697882%</u>	<u>0.0709855%</u>	<u>0.0716054%</u>	<u>0.0721038%</u>	<u>0.0716503%</u>
Village's proportionate share of the net pension liability	<u>\$ 4,944,704</u>	<u>\$ 2,291,019</u>	<u>\$ 6,728,204</u>	<u>\$ 11,572,857</u>	<u>\$ 2,420,522</u>
Village's covered payroll	<u>\$ 18,626,980</u>	<u>\$ 18,492,000</u>	<u>\$ 18,327,905</u>	<u>\$ 17,929,046</u>	<u>\$ 17,725,671</u>
Village's proportionate share of the net pension liability as a percentage of its covered payroll	<u>26.55%</u>	<u>12.39%</u>	<u>36.71%</u>	<u>64.55%</u>	<u>13.66%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>96.27%</u>	<u>98.24%</u>	<u>90.70%</u>	<u>90.70%</u>	<u>97.90%</u>

Schedule of Contributions

	2020	2019	2018	2017	2016
Contractually required contribution	\$ 2,661,144	\$ 2,691,932	\$ 2,800,344	\$ 3,180,439	\$ 3,023,543
Contributions in relation to the contractually required contribution	<u>(2,661,144)</u>	<u>(2,691,932)</u>	<u>(2,800,344)</u>	<u>(3,180,439)</u>	<u>(3,023,543)</u>
Contribution excess	<u>\$ -</u>				
Village's covered payroll	<u>\$ 18,631,084</u>	<u>\$ 18,523,319</u>	<u>\$ 18,271,244</u>	<u>\$ 18,062,719</u>	<u>\$ 17,926,137</u>
Contributions as a percentage of covered payroll	<u>14.28%</u>	<u>14.53%</u>	<u>15.33%</u>	<u>17.61%</u>	<u>16.87%</u>

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, "Accounting and Financial Reporting for Pensions."

(2) The amounts presented for each fiscal year were determined as of the March 31 measurement date within the current fiscal year.

(3) The discount rate used to calculate the total pension liability was decreased from 7.5% to 7.0% effective with the March 31, 2016 measurement date.

See independent auditors' report.

Incorporated Village of Freeport, New York

Required Supplementary Information
 New York State and Local Police and Fire Retirement System
 Last Ten Fiscal Years (1)

Schedule of Village's Proportionate Share of Net Pension Liability (2)

	2020	2019	2018	2017 (3)	2016
Village's proportion of the net pension liability	0.4020716%	0.3914940%	0.3824851%	0.3836998%	0.3546445%
Village's proportionate share of the net pension liability	\$ 6,742,995	\$ 3,957,053	\$ 7,927,584	\$ 11,360,534	\$ 976,193
Village's covered payroll	\$ 17,968,787	\$ 17,531,177	\$ 16,878,617	\$ 15,775,052	\$ 14,896,653
Village's proportionate share of the net pension liability as a percentage of its covered payroll	37.53%	22.57%	46.97%	72.02%	6.55%
Plan fiduciary net position as a percentage of the total pension liability	95.09%	96.93%	93.50%	90.20%	99.00%

Schedule of Contributions

	2020	2019	2018	2017	2016
Contractually required contribution	\$ 3,916,278	\$ 4,002,982	\$ 3,796,357	\$ 3,621,910	\$ 3,840,430
Contributions in relation to the contractually required contribution	(3,916,278)	(4,002,982)	(3,796,357)	(3,621,910)	(3,840,430)
Contribution excess	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered payroll	\$ 17,948,443	\$ 17,497,658	\$ 16,841,964	\$ 16,552,013	\$ 15,685,066
Contributions as a percentage of covered payroll	21.82%	22.88%	22.54%	21.88%	24.48%

(1) Data not available prior to fiscal year 2016 implementation of Governmental Accounting Standards Board Statement No. 68, "Accounting and Financial Reporting for Pensions".

(2) The amounts presented for each fiscal year were determined as of March 31st measurement date within the current fiscal year.

(3) The discount rate used to calculate the total pension liability was decreased from 7.5% to 7.0% effective with the March 31, 2016 measurement date.

See independent auditors' report.

Village of Freeport, New York

Required Supplementary Information - Schedule of Changes
in the Village's Total Pension Liability - Fire Service Awards Program
Last Ten Fiscal Years (1)

	* 2019	* 2018	* 2017
Total Pension Liability			
Service Cost	\$ 234,981	\$ 268,143	\$ 237,617
Interest	396,558	362,130	378,221
Changes of assumptions or other inputs	648,368	(826,583)	931,109
Differences between expected and actual experience	82,082	54,763	16,668
Benefit payments	<u>(450,831)</u>	<u>(330,506)</u>	<u>(327,428)</u>
Net Change in Total Pension Liability	911,158	(472,053)	1,236,187
Total Pension Liability – Beginning of Year	<u>10,884,879</u>	<u>11,356,932</u>	<u>10,120,745</u>
Total Pension Liability – End of Year	<u>\$ 11,796,037</u>	<u>\$ 10,884,879</u>	<u>\$ 11,356,932</u>
Village's covered payroll	N/A	N/A	N/A
Total pension liability as a percentage of covered payroll	N/A	N/A	N/A

(1) No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements Nos. 67 and 68" to pay related benefits.

*Schedule is intended to show information for 10 years. Additional information will be displayed as it becomes available. As of December 31 in each of the years presented.

Notes to Schedule:

Changes in assumptions or other inputs. The discount rate used to measure the total pension liability was based on the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index and was as follows:

December 31, 2017: 3.16%

December 31, 2018: 3.64%

December 31, 2019: 3.26%

N/A - Not applicable.

Incorporated Village of Freeport, New York

General Fund

Combining Balance Sheet - Sub-Funds

February 29, 2020

(With Comparative Totals for the Year Ended February 28, 2019)

	General	Fire Service Awards Program	Totals	
			February 29, 2020	February 28, 2019
ASSETS				
Cash and equivalents	\$ 3,207,130	\$ -	\$ 3,207,130	\$ 3,002,680
Investments	13,074,833	5,705,235	18,780,068	10,541,147
Taxes receivable	698,698	-	698,698	644,806
Other receivables				
Accounts, net	1,461,568	3,156	1,464,724	1,166,746
State and Federal aid	186,971	-	186,971	276,991
Due from other funds	3,444,661	-	3,444,661	3,735,070
Due from other governments	271,261	-	271,261	259,135
	5,364,461	3,156	5,367,617	5,437,942
Inventories	338,045	-	338,045	351,724
Prepaid expenditures	469,512	-	469,512	472,936
Total Assets	<u>\$ 23,152,679</u>	<u>\$ 5,708,391</u>	<u>\$ 28,861,070</u>	<u>\$ 20,451,235</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 2,722,132	\$ 76,519	\$ 2,798,651	\$ 2,764,806
Accrued liabilities	715,747	-	715,747	645,179
Due to other funds	1,067,796	-	1,067,796	1,068,307
Due to other governments	12,089	-	12,089	11,609
Unearned revenues	11,057	-	11,057	33,867
Total Liabilities	4,528,821	76,519	4,605,340	4,523,768
Deferred inflows of resources				
Deferred tax revenues	666,479	-	666,479	620,229
Total Liabilities and Deferred Inflows of Resources	5,195,300	76,519	5,271,819	5,143,997
Fund balances				
Nonspendable	807,557	-	807,557	824,660
Restricted	707,609	5,631,872	6,339,481	6,180,815
Assigned	14,834	-	14,834	39,020
Unassigned	16,427,379	-	16,427,379	8,262,743
Total Fund Balances	17,957,379	5,631,872	23,589,251	15,307,238
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 23,152,679</u>	<u>\$ 5,708,391</u>	<u>\$ 28,861,070</u>	<u>\$ 20,451,235</u>

See independent auditors' report.

Incorporated Village of Freeport, New York

General Fund
 Combining Schedule of Revenues, Expenditures and
 Changes in Fund Balances - Sub-Funds
 Year Ended February 29, 2020
 (With Comparative Totals for the Year Ended February 28, 2019)

	General	Fire Service Awards Program	Eliminations	Totals	
				February 29, 2020	February 28, 2019
REVENUES					
Real property taxes	\$ 43,000,677	\$ -	\$ -	\$ 43,000,677	\$ 42,872,956
Other tax items	5,752,896	-	-	5,752,896	5,750,878
Non-property taxes	1,178,144	-	-	1,178,144	1,208,410
Departmental income	8,267,975	192,000	(192,000)	8,267,975	8,094,244
Intergovernmental revenues	6,500	-	-	6,500	6,500
Interfund revenues	1,222,118	-	-	1,222,118	1,176,310
Use of money and property	1,842,290	145,067	-	1,987,357	1,764,539
Net change in fair value of investments	-	114,627	-	114,627	(159,151)
Licenses and permits	2,072,042	-	-	2,072,042	1,801,708
Fines and forfeitures	4,132,051	-	-	4,132,051	4,212,382
Sale of property and compensation for loss	69,160	-	-	69,160	32,963
State aid	610,615	-	-	610,615	1,535,479
Federal aid	102,834	-	-	102,834	236,613
Miscellaneous	901,415	-	-	901,415	95,791
Total Revenues	69,158,717	451,694	(192,000)	69,418,411	68,629,622
EXPENDITURES					
Current					
General government support	10,502,034	-	-	10,502,034	11,005,344
Public safety	23,071,593	-	-	23,071,593	22,546,858
Health	2,810	-	-	2,810	2,417
Transportation	2,176,350	-	-	2,176,350	2,180,348
Economic opportunity and development	127,378	-	-	127,378	155,211
Culture and recreation	3,466,281	-	-	3,466,281	3,471,637
Home and community services	3,785,341	-	-	3,785,341	3,718,640
Employee benefits	19,690,747	504,997	(192,000)	20,003,744	20,082,902
Debt service					
Principal	6,124,376	-	-	6,124,376	7,732,363
Interest	1,176,005	-	-	1,176,005	1,349,556
Total Expenditures	70,122,915	504,997	(192,000)	70,435,912	72,245,276
Deficiency of Revenues Over Expenditures	(964,198)	(53,303)	-	(1,017,501)	(3,615,654)
OTHER FINANCING SOURCES (USES)					
Insurance recoveries	215,905	-	-	215,905	399,840
Sale of real property	6,244,845	-	-	6,244,845	-
Bond anticipation notes issued	825,000	-	-	825,000	2,690,000
Bonds issued	1,575,000	-	-	1,575,000	-
Transfers in	473,764	-	-	473,764	763,179
Transfers out	(35,000)	-	-	(35,000)	(367,500)
Total Other Financing Sources	9,299,514	-	-	9,299,514	3,485,519
Net Change in Fund Balances	8,335,316	(53,303)	-	8,282,013	(130,135)
FUND BALANCES					
Beginning of Year	9,622,063	5,685,175	-	15,307,238	15,437,373
End of Year	\$ 17,957,379	\$ 5,631,872	\$ -	\$ 23,589,251	\$ 15,307,238

See independent auditors' report.

Incorporated Village of Freeport, New York

General Fund
Comparative Balance Sheet - Sub-Fund

	February 29, 2020	February 28, 2019
ASSETS		
Cash and equivalents	\$ 3,207,130	\$ 3,002,680
Investments	13,074,833	4,880,577
Taxes receivable	698,698	644,806
Other receivables		
Accounts	1,461,568	1,142,141
State and Federal aid	186,971	276,991
Due from other funds	3,444,661	3,735,070
Due from other governments	271,261	259,135
	<u>5,364,461</u>	<u>5,413,337</u>
Inventories	338,045	351,724
Prepaid expenditures	469,512	472,936
Total Assets	<u>\$ 23,152,679</u>	<u>\$ 14,766,060</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 2,722,132	\$ 2,764,806
Accrued liabilities	715,747	645,179
Due to other funds	1,067,796	1,068,307
Due to other governments	12,089	11,609
Unearned revenues	11,057	33,867
Total Liabilities	4,528,821	4,523,768
Deferred inflows of resources		
Deferred tax revenues	666,479	620,229
Total Liabilities and Deferred Inflows of Resources	<u>5,195,300</u>	<u>5,143,997</u>
Fund balance		
Nonspendable	807,557	824,660
Restricted	707,609	495,640
Assigned	14,834	39,020
Unassigned	16,427,379	8,262,743
Total Fund Balance	<u>17,957,379</u>	<u>9,622,063</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 23,152,679</u>	<u>\$ 14,766,060</u>

See independent auditors' report.

Incorporated Village of Freeport, New York

General Fund
 Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual - Sub-Fund
 Years Ended

	February 29, 2020			
	Original Budget (1)	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Real property taxes	\$ 43,051,518	\$ 43,051,518	\$ 43,000,677	\$ (50,841)
Other tax items	5,754,815	5,754,815	5,752,896	(1,919)
Non-property taxes	1,060,000	1,060,000	1,178,144	118,144
Departmental income	8,094,290	8,154,290	8,267,975	113,685
Intergovernmental revenues	6,500	6,500	6,500	-
Interfund revenues	1,600,000	1,600,000	1,222,118	(377,882)
Use of money and property	1,554,310	1,554,310	1,842,290	287,980
Licenses and permits	2,955,669	2,955,669	2,072,042	(883,627)
Fines and forfeitures	4,224,000	4,224,000	4,132,051	(91,949)
Sale of property and compensation for loss	32,000	32,000	69,160	37,160
State aid	1,369,846	484,535	610,615	126,080
Federal aid	171,000	222,000	102,834	(119,166)
Miscellaneous	475,000	1,376,311	901,415	(474,896)
Total Revenues	70,348,948	70,475,948	69,158,717	(1,317,231)
EXPENDITURES				
Current				
General government support	12,556,633	12,429,649	10,502,034	1,927,615
Public safety	23,890,411	23,935,231	23,071,593	863,638
Health	3,350	3,350	2,810	540
Transportation	2,289,483	2,313,913	2,176,350	137,563
Economic opportunity and development	159,744	159,744	127,378	32,366
Culture and recreation	3,500,356	3,555,754	3,466,281	89,473
Home and community services	4,046,486	4,046,523	3,785,341	261,182
Employee benefits	20,125,100	20,254,400	19,690,747	563,653
Debt service				
Principal	4,874,378	6,449,378	6,124,376	325,002
Interest	1,180,088	1,180,088	1,176,005	4,083
Total Expenditures	72,626,029	74,328,030	70,122,915	4,205,115
Deficiency of Revenues Over Expenditures	(2,277,081)	(3,852,082)	(964,198)	2,887,884
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	150,000	150,000	215,905	65,905
Sale of real property	500,000	500,000	6,244,845	5,744,845
Bond anticipation notes issued	1,260,000	1,260,000	825,000	(435,000)
Bonds issued	-	1,575,000	1,575,000	-
Transfers in	120,000	1,808,501	473,764	(1,334,737)
Transfers out	(165,000)	(1,853,500)	(35,000)	1,818,500
Total Other Financing Sources	1,865,000	3,440,001	9,299,514	5,859,513
Net Change in Fund Balance	(412,081)	(412,081)	8,335,316	8,747,397
FUND BALANCE				
Beginning of Year	412,081	412,081	9,622,063	9,209,982
End of Year	\$ -	\$ -	\$ 17,957,379	\$ 17,957,379

(1) Includes prior year encumbrances of \$39,020

(2) Includes prior year encumbrances of \$38,358

See independent auditors' report.

February 28, 2019

Original Budget (2)	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 43,318,724	\$ 43,318,724	\$ 42,872,956	\$ (445,768)
5,744,760	5,744,760	5,750,878	6,118
1,050,000	1,050,000	1,208,410	158,410
7,977,790	8,012,790	8,094,244	81,454
6,500	6,500	6,500	-
1,600,000	1,600,000	1,176,310	(423,690)
1,350,150	1,350,150	1,576,253	226,103
3,381,300	3,381,300	1,801,708	(1,579,592)
3,740,000	3,740,000	4,212,382	472,382
32,000	32,000	32,963	963
1,336,311	1,385,311	1,535,479	150,168
171,000	266,400	236,613	(29,787)
75,200	75,200	95,791	20,591
<u>69,783,735</u>	<u>69,963,135</u>	<u>68,600,487</u>	<u>(1,362,648)</u>
12,490,877	11,979,595	11,005,344	974,251
22,900,459	23,092,008	22,546,858	545,150
3,350	3,350	2,417	933
2,352,709	2,340,209	2,180,348	159,861
243,920	243,920	155,211	88,709
3,582,721	3,647,354	3,471,637	175,717
4,020,027	4,031,027	3,718,640	312,387
19,549,445	19,895,945	19,777,798	118,147
6,052,364	7,732,364	7,732,363	1
1,354,464	1,354,464	1,349,556	4,908
<u>72,550,336</u>	<u>74,320,236</u>	<u>71,940,172</u>	<u>2,380,064</u>
<u>(2,766,601)</u>	<u>(4,357,101)</u>	<u>(3,339,685)</u>	<u>1,017,416</u>
540,000	553,000	399,840	(153,160)
500,000	500,000	-	(500,000)
1,260,000	2,940,000	2,690,000	(250,000)
-	-	-	-
533,500	533,500	763,179	229,679
(265,000)	(367,500)	(367,500)	-
<u>2,568,500</u>	<u>4,159,000</u>	<u>3,485,519</u>	<u>(673,481)</u>
(198,101)	(198,101)	145,834	343,935
<u>198,101</u>	<u>198,101</u>	<u>9,476,229</u>	<u>9,278,128</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,622,063</u>	<u>\$ 9,622,063</u>

Incorporated Village of Freeport, New York

General Fund
 Schedule of Revenues and Other Financing Sources Compared to Budget - Sub-Fund
 Year Ended February 29, 2020
 (With Comparative Actuals for the Year Ended February 28, 2019)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	February 28, 2019 Actual
REAL PROPERTY TAXES	\$ 43,051,518	\$ 43,051,518	\$ 43,000,677	\$ (50,841)	\$ 42,872,956
OTHER TAX ITEMS					
Interest and penalties on real property taxes	370,000	370,000	333,011	(36,989)	356,701
Payments in lieu of taxes	5,384,815	5,384,815	5,419,885	35,070	5,394,177
	5,754,815	5,754,815	5,752,896	(1,919)	5,750,878
NON-PROPERTY TAXES					
Non-property tax distribution from County	-	-	119,088	119,088	119,088
Utilities gross receipts tax	1,060,000	1,060,000	1,059,056	(944)	1,089,322
	1,060,000	1,060,000	1,178,144	118,144	1,208,410
DEPARTMENTAL INCOME					
Treasurer fees	8,000	8,000	10,122	2,122	13,695
Clerks fees	1,500	1,500	2,204	704	1,646
Attorney fees	35,000	35,000	37,202	2,202	39,909
Fire Department fees	30,000	30,000	20,174	(9,826)	22,908
Safety inspection fees	12,000	12,000	42,467	30,467	11,161
Public Works fees	120,000	120,000	71,596	(48,404)	135,553
Parking fees	273,700	273,700	251,719	(21,981)	261,567
Parking meter fees - non taxable	140,000	140,000	132,668	(7,332)	134,946
Parks and recreation fees	2,279,400	2,339,400	2,522,813	183,413	2,287,162
Zoning and Appeals Board fees	30,000	30,000	26,225	(3,775)	43,210
Planning Board fees	20,000	20,000	21,625	1,625	17,800
Garbage fees	4,715,190	4,715,190	4,728,635	13,445	4,724,660
Sewer rent	427,000	427,000	398,060	(28,940)	397,452
Board of Architectural Review fees	2,500	2,500	2,465	(35)	2,575
	8,094,290	8,154,290	8,267,975	113,685	8,094,244
INTERGOVERNMENTAL REVENUES					
Fire protection	6,500	6,500	6,500	-	6,500

INTERFUND REVENUES	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,222,118</u>	<u>(377,882)</u>	<u>1,176,310</u>
USE OF MONEY AND PROPERTY					
Interest earnings	270,000	270,000	519,152	249,152	326,391
Rental income	<u>1,284,310</u>	<u>1,284,310</u>	<u>1,323,138</u>	<u>38,828</u>	<u>1,249,862</u>
	<u>1,554,310</u>	<u>1,554,310</u>	<u>1,842,290</u>	<u>287,980</u>	<u>1,576,253</u>
LICENSES AND PERMITS					
Occupational licenses	165,000	165,000	204,390	39,390	156,940
Building permits	1,665,619	1,665,619	789,804	(875,815)	463,729
Other permits	1,025,050	1,025,050	983,938	(41,112)	1,074,199
Parking permits	<u>100,000</u>	<u>100,000</u>	<u>93,910</u>	<u>(6,090)</u>	<u>106,840</u>
	<u>2,955,669</u>	<u>2,955,669</u>	<u>2,072,042</u>	<u>(883,627)</u>	<u>1,801,708</u>
FINES AND FORFEITURES					
Justice court fines	<u>4,224,000</u>	<u>4,224,000</u>	<u>4,132,051</u>	<u>(91,949)</u>	<u>4,212,382</u>
SALE OF PROPERTY AND COMPENSATION FOR LOSS					
Minor sales	<u>32,000</u>	<u>32,000</u>	<u>69,160</u>	<u>37,160</u>	<u>32,963</u>
STATE AID					
Per capita	901,311	-	-	-	901,311
Mortgage tax	400,000	400,000	514,019	114,019	544,122
Emergency Management Agency	-	-	16,986	16,986	8,663
Public safety	<u>68,535</u>	<u>84,535</u>	<u>79,610</u>	<u>(4,925)</u>	<u>81,383</u>
	<u>1,369,846</u>	<u>484,535</u>	<u>610,615</u>	<u>126,080</u>	<u>1,535,479</u>
FEDERAL AID					
Emergency Management Agency	-	-	11,916	11,916	51,978
Community Development Block Grant	171,000	222,000	72,081	(149,919)	178,138
Bullet Proof Vest Partnership Program	-	-	18,837	18,837	6,497
	<u>171,000</u>	<u>222,000</u>	<u>102,834</u>	<u>(119,166)</u>	<u>236,613</u>
MISCELLANEOUS					
AIM related payments	-	901,311	901,311	-	-
Refunds of prior year's expenditures	75,000	75,000	-	(75,000)	73,459
Other	<u>400,000</u>	<u>400,000</u>	<u>104</u>	<u>(399,896)</u>	<u>22,332</u>
	<u>475,000</u>	<u>1,376,311</u>	<u>901,415</u>	<u>(474,896)</u>	<u>95,791</u>
TOTAL REVENUES	<u>70,348,948</u>	<u>70,475,948</u>	<u>69,158,717</u>	<u>(1,317,231)</u>	<u>68,600,487</u>

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Incorporated Village of Freeport, New York

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget - Sub-Fund (Continued)

Year Ended February 29, 2020

(With Comparative Actuals for the Year Ended February 28, 2019)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	February 28, 2019 Actual
OTHER FINANCING SOURCES					
Insurance recoveries	\$ 150,000	\$ 150,000	\$ 215,905	\$ 65,905	\$ 399,840
Sale of real property	500,000	500,000	6,244,845	5,744,845	-
Bond anticipation notes issued	1,260,000	1,260,000	825,000	(435,000)	2,690,000
Bonds issued	-	1,575,000	1,575,000	-	-
Transfers in					
Water Fund	-	-	150,000	150,000	379,557
Capital Projects Fund	120,000	1,808,501	323,764	(1,484,737)	383,622
TOTAL OTHER FINANCING SOURCES	<u>2,030,000</u>	<u>5,293,501</u>	<u>9,334,514</u>	<u>4,041,013</u>	<u>3,853,019</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 72,378,948</u>	<u>\$ 75,769,449</u>	<u>\$ 78,493,231</u>	<u>\$ 2,723,782</u>	<u>\$ 72,453,506</u>

See independent auditors' report.

Incorporated Village of Freeport, New York

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget - Sub-Fund

Year Ended February 29, 2020

(With Comparative Actuals for the Year Ended February 28, 2019)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	February 28, 2019 Actual
GENERAL GOVERNMENT SUPPORT					
Village Board	\$ 108,754	\$ 108,754	\$ 89,291	\$ 19,463	\$ 86,095
Village Justices	1,464,017	1,457,997	1,316,085	141,912	1,364,737
Mayor	362,474	362,474	241,463	121,011	223,185
Comptroller	374,791	374,791	324,525	50,266	324,624
Audit	110,810	110,910	99,408	11,502	90,740
Treasurer	401,791	410,991	365,392	45,599	331,092
Purchasing	283,996	284,096	219,763	64,333	241,305
Assessor	262,514	264,023	251,988	12,035	239,191
Village Clerk	425,774	425,774	410,214	15,560	390,240
Attorney	831,974	831,974	684,630	147,344	703,871
Human resources	525,192	528,434	527,004	1,430	508,333
Elections	81,900	82,200	52,174	30,026	1,546
Public works	1,181,313	1,277,613	1,252,224	25,389	1,303,713
Public works administration	567,665	447,772	408,550	39,222	419,111
Buildings department	386,061	358,219	316,273	41,946	374,058
Central garage	925,445	925,865	903,567	22,298	915,084
Central data processing	714,162	714,162	670,952	43,210	641,069
Unallocated insurance	460,000	490,000	489,904	96	452,892
Human services	10,000	10,000	7,111	2,889	7,111
Judgments and claims	1,250,000	1,250,000	782,427	467,573	984,284
Property loss	700,000	1,000,000	986,985	13,015	1,303,463
Taxes and assessment on property	103,000	103,000	102,104	896	99,600
Contingency	1,025,000	610,600	-	610,600	-
	<u>12,556,633</u>	<u>12,429,649</u>	<u>10,502,034</u>	<u>1,927,615</u>	<u>11,005,344</u>

PUBLIC SAFETY

Police	21,115,752	21,093,137	20,485,893	607,244	19,908,627
Traffic control	75,306	81,006	75,659	5,347	69,531
On-Street parking	86,527	91,027	90,840	187	85,777
Fire	1,170,226	1,174,391	1,042,130	132,261	1,035,936
Control of animals	200	200	-	200	-
Safety inspection	1,312,670	1,365,740	1,254,464	111,276	1,334,734
Other	129,730	129,730	122,607	7,123	112,253
	<u>23,890,411</u>	<u>23,935,231</u>	<u>23,071,593</u>	<u>863,638</u>	<u>22,546,858</u>

HEALTH

Nursing services	<u>3,350</u>	<u>3,350</u>	<u>2,810</u>	<u>540</u>	<u>2,417</u>
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TRANSPORTATION

Administration	2,800	2,800	2,754	46	2,760
Maintenance of streets	632,073	619,503	605,063	14,440	559,579
Snow removal	174,300	174,300	52,041	122,259	72,000
Street lighting	1,440,310	1,477,310	1,476,923	387	1,501,876
Facilities maintenance	40,000	40,000	39,569	431	44,133
	<u>2,289,483</u>	<u>2,313,913</u>	<u>2,176,350</u>	<u>137,563</u>	<u>2,180,348</u>

ECONOMIC OPPORTUNITY AND DEVELOPMENT

Publicity	159,744	159,744	127,378	32,366	118,347
Materials and supplies	-	-	-	-	36,864
	<u>159,744</u>	<u>159,744</u>	<u>127,378</u>	<u>32,366</u>	<u>155,211</u>

CULTURE AND RECREATION

Community center	3,009,091	3,049,091	3,014,296	34,795	3,015,740
Arts Council	20,000	20,000	20,000	-	20,000
Library	40,300	40,300	16,865	23,435	25,073
Recreation	1,400	1,400	1,400	-	1,400
Tennis	-	-	-	-	27,212
Playgrounds	429,565	444,963	413,720	31,243	382,212
	<u>3,500,356</u>	<u>3,555,754</u>	<u>3,466,281</u>	<u>89,473</u>	<u>3,471,637</u>

(Continued)

Incorporated Village of Freeport, New York

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget - Sub-Fund (Continued)

Year Ended February 29, 2020

(With Comparative Actuals for the Year Ended February 28, 2019)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	February 28, 2019 Actual
HOME AND COMMUNITY SERVICES					
Zoning	\$ 15,800	\$ 15,800	\$ 12,647	\$ 3,153	\$ 12,549
Planning	19,300	19,300	16,597	2,703	16,716
Sewer administration	1,200	1,200	598	602	610
Sanitary sewers	268,135	268,172	259,041	9,131	258,022
Refuse and garbage	3,621,488	3,621,488	3,384,039	237,449	3,290,533
Drainage	84,463	84,463	77,773	6,690	104,323
Composting	11,100	11,100	9,646	1,454	10,887
Other	25,000	25,000	25,000	-	25,000
	<u>4,046,486</u>	<u>4,046,523</u>	<u>3,785,341</u>	<u>261,182</u>	<u>3,718,640</u>
EMPLOYEE BENEFITS					
State retirement	6,165,000	6,218,600	6,216,695	1,905	6,108,574
Social security	1,999,500	2,002,400	1,999,810	2,590	1,951,093
Workers' compensation benefits	1,150,000	1,150,000	840,803	309,197	1,224,997
Unemployment benefits	6,000	6,000	3,075	2,925	3,689
Hospital and medical insurance	10,462,600	10,469,400	10,299,155	170,245	10,158,919
Union welfare benefits	75,000	75,000	-	75,000	-
Length of service award contributions	192,000	192,000	192,000	-	192,000
Other	75,000	141,000	139,209	1,791	138,526
	<u>20,125,100</u>	<u>20,254,400</u>	<u>19,690,747</u>	<u>563,653</u>	<u>19,777,798</u>
DEBT SERVICE					
Principal					
Serial bonds	4,444,378	4,444,378	4,444,376	2	6,052,363
Bond anticipation notes	430,000	2,005,000	1,680,000	325,000	1,680,000
	<u>4,874,378</u>	<u>6,449,378</u>	<u>6,124,376</u>	<u>325,002</u>	<u>7,732,363</u>

Interest					
Serial bonds	982,093	982,093	982,091	2	1,261,001
Bond anticipation notes	197,995	197,995	193,914	4,081	88,555
	<u>1,180,088</u>	<u>1,180,088</u>	<u>1,176,005</u>	<u>4,083</u>	<u>1,349,556</u>
	<u>6,054,466</u>	<u>7,629,466</u>	<u>7,300,381</u>	<u>329,085</u>	<u>9,081,919</u>
TOTAL EXPENDITURES	72,626,029	74,328,030	70,122,915	4,205,115	71,940,172
OTHER FINANCING USES					
Transfers out					
Capital Projects Fund	165,000	1,853,500	35,000	1,818,500	367,500
	<u>165,000</u>	<u>1,853,500</u>	<u>35,000</u>	<u>1,818,500</u>	<u>367,500</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 72,791,029</u>	<u>\$ 76,181,530</u>	<u>\$ 70,157,915</u>	<u>\$ 6,023,615</u>	<u>\$ 72,307,672</u>

See independent auditors' report.

Incorporated Village of Freeport, New York

Capital Projects Fund
Comparative Balance Sheet

	February 29, 2020	February 28, 2019
ASSETS		
Cash and equivalents	\$ 1,016	\$ 144,896
Investments	5,376,759	5,508,945
Receivables		
Accounts	10,000	-
State and Federal aid	691,773	981,965
Due from other funds	839,490	840,385
	<u>1,541,263</u>	<u>1,822,350</u>
Total Assets	<u>\$ 6,919,038</u>	<u>\$ 7,476,191</u>
LIABILITIES AND FUND DEFICIT		
Liabilities		
Accounts payable	\$ 566,135	\$ 461,473
Due to other funds	798,706	726,580
Bond anticipation notes payable	8,084,500	7,772,500
	<u>9,449,341</u>	<u>8,960,553</u>
Total Liabilities		
Fund deficit		
Unassigned	<u>(2,530,303)</u>	<u>(1,484,362)</u>
Total Liabilities and Fund Deficit	<u>\$ 6,919,038</u>	<u>\$ 7,476,191</u>

See independent auditors' report.

Incorporated Village of Freeport, New York

Capital Projects Fund

Comparative Statement of Revenues, Expenditures and Changes in Fund Balance

Years Ended

	February 29, 2020	February 28, 2019
REVENUES		
State aid	\$ 1,053,872	\$ 1,170,736
Federal aid	391,424	211,883
Miscellaneous	56,360	32,560
	<u>1,501,656</u>	<u>1,415,179</u>
EXPENDITURES		
Capital outlay	<u>5,268,833</u>	<u>4,107,338</u>
Deficiency of Revenues Over Expenditures	<u>(3,767,177)</u>	<u>(2,692,159)</u>
OTHER FINANCING SOURCES (USES)		
Bonds issued	3,010,000	-
Transfers in	35,000	367,500
Transfers out	<u>(323,764)</u>	<u>(383,622)</u>
	<u>2,721,236</u>	<u>(16,122)</u>
Total Other Financing Sources (Uses)		
	<u>2,721,236</u>	<u>(16,122)</u>
Net Change in Fund Balance	(1,045,941)	(2,708,281)
FUND BALANCE (DEFICIT)		
Beginning of Year	<u>(1,484,362)</u>	<u>1,223,919</u>
End of Year	<u>\$ (2,530,303)</u>	<u>\$ (1,484,362)</u>

See independent auditors' report.

Incorporated Village of Freeport, New YorkEnterprise Fund - Water Fund
Comparative Statement of Net Position

	February 29, 2020	February 28, 2019
ASSETS		
Current assets		
Cash and equivalents	\$ 165,469	\$ 193,411
Investments	332,033	597,030
Accounts receivable	3,047,376	2,698,850
Due from other funds	502,266	501,258
Inventories	89,367	79,986
Prepaid expenses	16,651	16,063
Total Current Assets	<u>4,153,162</u>	<u>4,086,598</u>
Non-current assets		
Costs to be recovered from future revenues	8,450,530	7,871,918
Non depreciable capital assets	85,981	85,981
Depreciable capital assets, net of accumulated depreciation	<u>15,857,890</u>	<u>16,326,599</u>
Total Non-Current Assets	<u>24,394,401</u>	<u>24,284,498</u>
Total Assets	<u>28,547,563</u>	<u>28,371,096</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts on refunding bonds	85,250	109,271
Deferred amounts on net pension liabilities	346,819	588,361
Deferred amounts on other post employment benefits	<u>2,608,978</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>3,041,047</u>	<u>697,632</u>
LIABILITIES		
Current liabilities		
Accounts payable	201,268	221,637
Accrued liabilities	36,170	31,570
Accrued interest payable	57,726	66,995
Due to other funds	738,821	394,315
Bond anticipation notes payable	-	1,235,000
Total Current Liabilities	<u>1,033,985</u>	<u>1,949,517</u>
Non-current liabilities		
Due within one year	1,021,038	964,215
Due in more than one year	<u>17,063,892</u>	<u>13,484,622</u>
Total Non-Current Liabilities	<u>18,084,930</u>	<u>14,448,837</u>
Total Liabilities	<u>19,118,915</u>	<u>16,398,354</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts on net pension liabilities	134,010	541,956
Deferred amounts on other post employment benefits	<u>356,603</u>	<u>406,735</u>
Total Deferred Inflows of Resources	<u>490,613</u>	<u>948,691</u>
NET POSITION		
Net investment in capital assets	9,504,497	8,991,360
Unrestricted	<u>2,474,585</u>	<u>2,730,323</u>
Total Net Position	<u>\$ 11,979,082</u>	<u>\$ 11,721,683</u>

See independent auditors' report.

Incorporated Village of Freeport, New YorkEnterprise Fund - Water Fund
Comparative Statement of Revenues, Expenses and
Changes in Net Position
Years Ended

	February 29, 2020	February 28, 2019
OPERATING REVENUES		
Charges for services	\$ 6,270,704	\$ 6,373,521
Interest and penalties	406,663	439,503
Total Operating Revenues	<u>6,677,367</u>	<u>6,813,024</u>
OPERATING EXPENSES		
Power and pumping	2,027,094	2,127,584
Transmission and distribution services	200,485	251,408
Administrative and general	2,321,885	2,023,979
Depreciation	790,522	766,447
Charges in lieu of taxes	1,344,150	1,344,150
Total Operating Expenses	<u>6,684,136</u>	<u>6,513,568</u>
Income (Loss) from Operations	<u>(6,769)</u>	<u>299,456</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	21,348	23,877
Interest expense	(185,792)	(210,451)
Costs to be recovered from future revenues	578,612	270,414
Total Non-Operating Revenues	<u>414,168</u>	<u>83,840</u>
Income Before Transfers	407,399	383,296
Transfers Out	<u>(150,000)</u>	<u>(379,557)</u>
Change in Net Position	257,399	3,739
NET POSITION		
Beginning of Year	<u>11,721,683</u>	<u>11,717,944</u>
End of Year	<u>\$ 11,979,082</u>	<u>\$ 11,721,683</u>

See independent auditors' report.

Incorporated Village of Freeport, New York

Enterprise Fund - Water Fund
 Comparative Statement of Cash Flows
 Years Ended

	February 29, 2020	February 28, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from charges for services	\$ 6,328,841	\$ 7,011,510
Cash payments for goods, services and compensation	(3,994,764)	(4,855,760)
Cash payments for interfund services used	(999,644)	(1,168,005)
	<u>1,334,433</u>	<u>987,745</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on bonds	(889,729)	(1,196,361)
Bonds issued	1,145,000	-
Principal paid on bond anticipation notes	(1,235,000)	(1,100,000)
Bond anticipation notes issued	-	1,235,000
Interest paid on indebtedness	(197,178)	(210,333)
Acquisition and construction of capital assets	(321,813)	(378,752)
Transfers out	(150,000)	(379,557)
	<u>(1,648,720)</u>	<u>(2,030,003)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	264,997	1,118,455
Interest income	21,348	23,877
	<u>286,345</u>	<u>1,142,332</u>
Net Change in Cash and Equivalents	(27,942)	100,074
CASH AND EQUIVALENTS		
Beginning of Year	193,411	93,337
End of Year	<u>\$ 165,469</u>	<u>\$ 193,411</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Income (loss) from operations	\$ (6,769)	\$ 299,456
Adjustments to reconcile income (loss) from operations to net cash from operating activities		
Depreciation	790,522	766,447
Changes in operating assets and liabilities		
Accounts receivable	(348,526)	198,486
Due from other funds	(1,008)	(1,930)
Inventories	(9,381)	(18,728)
Prepaid expenses	(588)	3,440
Accounts payable	(20,369)	(608,669)
Accrued liabilities	4,600	5,261
Due to other funds	344,506	176,145
Retirement incentives and other pension liabilities	(43,486)	(42,021)
Compensated absences	11,094	(35,174)
Net pension liabilities, net of deferred amounts	35,226	(25,382)
Other post employment benefit liabilities, net of deferred amounts	578,612	270,414
	<u>\$ 1,334,433</u>	<u>\$ 987,745</u>

See independent auditors' report.

Incorporated Village of Freeport, New York

Enterprise Fund - Electric Fund
Comparative Statement of Net Position

	February 29, 2020	February 28, 2019
ASSETS		
Current assets		
Cash and equivalents	\$ 2,065,501	\$ 1,654,657
Investments	4,097,340	3,712,169
Accounts receivable	4,584,590	5,055,074
Due from other funds	362,265	376,218
Inventories	2,053,500	2,348,900
Prepaid expenses	107,202	107,379
Total Current Assets	13,270,398	13,254,397
Non-current assets		
Costs to be recovered from future revenues	37,653,858	34,535,984
Regulatory deposit	400,499	435,635
Non depreciable capital assets	705,817	500,575
Depreciable capital assets, net of accumulated depreciation	54,843,973	57,233,081
Total Non-Current Assets	93,604,147	92,705,275
Total Assets	106,874,545	105,959,672
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts on refunding bonds	1,498,181	1,646,083
Deferred amounts on net pension liabilities	1,801,236	3,140,905
Deferred amounts on other post employment benefits	9,472,849	-
Total Deferred Outflows of Resources	12,772,266	4,786,988
LIABILITIES		
Current liabilities		
Accounts payable	1,321,826	1,177,190
Accrued interest payable	224,001	240,502
Due to other funds	2,543,359	3,263,729
Due to other governments	-	-
Customer deposits	1,464,808	1,433,309
Regulatory liabilities	3,872,457	3,719,311
Bond anticipation notes payable	1,596,500	150,000
Unearned revenues	229,241	229,241
Total Current Liabilities	11,252,192	10,213,282
Non-current liabilities		
Due within one year	3,496,522	3,384,502
Due in more than one year	89,742,970	79,123,005
Total Non-Current Liabilities	93,239,492	82,507,507
Total Liabilities	104,491,684	92,720,789
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts on net pension liabilities	695,792	2,893,176
Deferred amounts on other post employment benefits	1,212,850	1,516,568
Total Deferred Inflows of Resources	1,908,642	4,409,744
NET POSITION		
Net investment in capital assets	13,709,567	14,561,969
Unrestricted	(463,082)	(945,842)
Total Net Position	\$ 13,246,485	\$ 13,616,127
See independent auditors' report.		

Incorporated Village of Freeport, New YorkEnterprise Fund - Electric Fund
Comparative Statement of Revenues, Expenses and
Changes in Net Position
Years Ended

	February 29, 2020	February 28, 2019
OPERATING REVENUES		
Charges for services	\$ 34,623,364	\$ 33,463,809
Federal aid	4,258,272	680,865
Miscellaneous	150,842	2,277,447
	<u>39,032,478</u>	<u>36,422,121</u>
OPERATING EXPENSES		
Power generation	16,037,747	14,159,308
Transmission and distribution services	1,444,874	1,568,392
Street lighting and signal system	144,353	218,521
Customer counting and collection	870,911	826,891
Administrative and general	15,644,223	10,037,252
Depreciation	3,068,403	2,972,067
Charges in lieu of taxes	3,747,000	3,747,000
Miscellaneous	94,729	89,612
	<u>41,052,240</u>	<u>33,619,043</u>
Income (Loss) from Operations	<u>(2,019,762)</u>	<u>2,803,078</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	112,421	91,740
Interest expense	(1,580,175)	(1,692,542)
Costs to be recovered from future revenues	3,117,874	1,176,463
	<u>1,650,120</u>	<u>(424,339)</u>
Change in Net Position	(369,642)	2,378,739
NET POSITION		
Beginning of Year	<u>13,616,127</u>	<u>11,237,388</u>
End Year	<u>\$ 13,246,485</u>	<u>\$ 13,616,127</u>

See independent auditors' report.

Incorporated Village of Freeport, New York

Enterprise Fund - Electric Fund
 Comparative Statement of Cash Flows
 Year Ended

	February 29, 2020	February 28, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from charges for services	\$ 32,952,467	\$ 33,525,266
Cash received from federal aid	4,258,272	680,865
Cash received from interfund services provided	2,337,675	2,576,860
Cash payments for goods, services and compensation	(30,584,773)	(27,524,606)
Cash payments for interfund services used	(4,467,370)	(4,146,449)
	<u>4,496,271</u>	<u>5,111,936</u>
Net Cash From Operating Activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on bonds	(2,895,894)	(3,856,775)
Bonds issued	150,000	-
Principal paid on bond anticipation notes	(150,000)	-
Bond anticipation notes issued	1,596,500	150,000
Interest paid on indebtedness	(1,628,746)	(1,774,768)
Acquisition and construction of capital assets	(884,537)	(434,061)
Loss on disposal of capital assets	-	72,166
	<u>(3,812,677)</u>	<u>(5,843,438)</u>
Net Cash From Capital and Related Financing Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	-	460,359
Purchase of investments	(385,171)	-
Interest income	112,421	91,740
	<u>(272,750)</u>	<u>552,099</u>
Net Cash From Investing Activities		
Net Change in Cash and Equivalents	410,844	(179,403)
CASH AND EQUIVALENTS		
Beginning of Year	<u>1,654,657</u>	<u>1,834,060</u>
End of Year	<u>\$ 2,065,501</u>	<u>\$ 1,654,657</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Income (loss) from operations	\$ (2,019,762)	\$ 2,803,078
Adjustments to reconcile income (loss) from operations to net cash from operating activities		
Depreciation	3,068,403	2,972,067
Changes in operating assets and liabilities		
Accounts receivable	470,484	338,424
Due from other funds	13,953	(2,983)
Inventories	295,400	(60,414)
Prepaid expenses	177	(1,125)
Regulatory deposit	35,136	(105,712)
Accounts payable	144,636	(188,649)
Due to other funds	(720,370)	(399,449)
Customer deposits	31,499	25,429
Regulatory liabilities	153,146	(1,322,423)
Retirement incentives and other pension liabilities	(188,608)	(182,249)
Compensated absences	(73,922)	49,950
Net pension liabilities, net of deferred amounts	168,225	9,529
Other post employment benefit liabilities, net of deferred amounts	3,117,874	1,176,463
	<u>\$ 4,496,271</u>	<u>\$ 5,111,936</u>
Net Cash From Operating Activities		

See independent auditors' report.

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**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in Accordance
With Government Auditing Standards**

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Incorporated Village of Freeport, New York ("Village") as of and for the year ended February 29, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated December 24, 2020. Our report includes a reference to another auditor who audited the financial statements of the Village of Freeport Community Development Agency (component unit), as described in our report of the Village's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by the other auditor.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

December 24, 2020



Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited the Incorporated Village of Freeport, New York's ("Village") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Village's major federal programs for the year ended February 29, 2020. The Village's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Village's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Village's compliance.

Opinion on Each Major Federal Program

In our opinion, the Village complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended February 29, 2020.

Report on Internal Control Over Compliance

Management of the Village is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Village's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

December 24, 2020

Village of Freeport, New York

Schedule of Expenditures of Federal Awards
Year Ended February 29, 2020

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number (1)</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Provided to Sub- recipients</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>				
Direct Program				
<i>CDBG - Entitlement Grants Cluster</i>				
Community Development Block Grants/Entitlement Grants	14.218		\$ -	\$ 412,081
<i>CDBG - Disaster Recovery Grants - Public Law No. 113-2/Cluster</i>				
Hurricane Sandy Community Development Block Grant Disaster Recovery	14.269		-	<u>4,309,696</u>
Total U.S Department of Housing and Urban Development			<u>-</u>	<u>4,721,777</u>
<u>U.S. Department of Justice</u>				
Direct Programs				
Bulletproof Vest Partnership Program	16.607		-	8,044
Edward Byrne Memorial Justice Assistance Grant Program	16.738		-	<u>10,793</u>
Total U.S Department of Justice			<u>-</u>	<u>18,837</u>
<u>U.S. Department of Homeland Security</u>				
Indirect Program				
Passed through New York State Division of Homeland Security and Emergency Services				
Disaster Grants - Public Assistance	97.036	N/A	-	<u>11,916</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 4,752,530</u>

(1) Catalog of Federal Domestic Assistance number
N/A - Information not available

See Independent Auditors' Report and Notes to Schedule of Expenditures of Federal Awards.

Incorporated Village of Freeport, New York

Notes to Schedule of Expenditures of Federal Awards
Year Ended February 29, 2020

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal award activity of the Incorporated Village of Freeport, New York ("Village") under programs of the federal government for the year ended February 29, 2020. Federal awards received directly from the Federal agencies as well as Federal awards passed through other government agencies are included in the Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position, changes in net position or cash flows of the Village.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting for governmental activities and the full accrual basis of accounting for the business-type activities. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 - Indirect Cost Rate

The Village has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Incorporated Village of Freeport, New York

Schedule of Findings and Questioned Costs
Year End February 29, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

Yes No
 Yes None reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

Yes No
 Yes None reported

Type of auditors' report issued on compliance for major federal programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes No

Identification of major federal programs:

CFDA

Number Federal Program or Cluster

CDBG – *Disaster Recovery Grants – Public Law No. 113-2/Cluster*

14.269 Hurricane Sandy Community Development Block Grant
Disaster Recovery

Dollar threshold used to distinguish between Type A and Type B programs

\$750,000

Auditee qualified as low-risk auditee?

Yes No

Incorporated Village of Freeport, New York

Schedule of Findings and Questioned Costs (Continued)
Year End February 29, 2020

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Incorporated Village of Freeport, New York

Summary Schedule of Prior Audit Findings
Year End February 29, 2020

None