

**Incorporated Village of Freeport, New York**

Financial Statements and  
Supplementary Information

Year Ended February 28, 2019



# 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, business-type activities, 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 28, 2019, 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 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 qualified and unmodified audit opinions.

### ***Basis for Qualified Opinion on the Discretely Presented Component Unit***

As more fully disclosed in Notes 1A and 2E, the financial statements referred to above do not include financial data of the Village's legally separate component unit, the Village of Freeport Community Development Agency. Accounting principles generally accepted in the United States of America require the financial data for that component unit to be reported with the financial data of the Village's primary government. The effect of this departure on assets, liabilities, net position, revenues and expenses is not known, since the audited financial statements are not available.

### ***Qualified Opinion - Discretely Presented Component Unit***

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion on the Discretely Presented Component Unit" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village, as of February 28, 2019, 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.

### ***Emphasis of Matter***

We draw attention to Notes 2C and 3G in the notes to financial statements which disclose the effects of the Village's adoption of the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that 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 28, 2019 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 28, 2019 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 28, 2019 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 28, 2019.

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, 2018 (not presented herein), and have issued our report thereon dated October 12, 2018, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information. The combining and individual fund financial statements and schedules for the year ended February 28, 2018 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 2018 financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2018 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, 2018.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019 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 20, 2019

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# Incorporated Village of Freeport, New York

Management Discussion and Analysis  
February 28, 2019

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 28, 2019. 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 \$113,336,399 at February 28, 2019 (net of a cumulative effect of change in accounting principle, see Note 2C). The change in net position before the cumulative effect of change in accounting principle was related to an increase in governmental activities of \$2,504,536 and an increase in business-type activities of \$2,382,478 for a total combined increase in net position of \$4,887,014. The most notable factor contributing to the Village's overall decrease in net position is the effect on reporting the total liability of the Village's Other Post Employment Benefit ("OPEB") obligations for its current and retired employees under governmental activities due to the implementation of Governmental Accounting Standards Board ("GASB") Statement No. 75.
- As of February 28, 2019, the Village's governmental funds reported combined ending fund balances of \$13,822,876. Of this amount, \$824,660 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 \$6,180,815. In spendable form and assigned for specific purposes is \$39,020 representing encumbrances. The remaining \$6,778,381 is unassigned and currently available for spending. See Note 3J.
- At year end, the Village's total fund balance for the General Fund was \$15,307,238, an decrease of \$130,135 from the prior year. The unassigned fund balance for the General Fund is \$8,262,743, an increase of \$209,421 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 \$95,737,504 (exclusive of unamortized premium on bonds), of which \$45,747,362 relates to governmental activities and \$49,990,142 relates to business-type activities. There was a decrease in total bonded debt in the amount of \$5,892,999.
- The government-wide financial statements must report certain items in accordance with the pronouncements of the GASB. The GASB is charged with developing the accounting rules that apply to governments, including school districts and BOCES. One of the most significant of these standards, GASB Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", requires the Village to recognize the financial impact associated with other postemployment benefit ("OPEB") obligations. These obligations include any benefits provided to retirees, other than a pension, including health insurance, life insurance, vision, dental, etc. This standard requires the Village to report the *total*, rather than *net*, OPEB liability related to its employees, since New York State has not authorized the establishment of an irrevocable trust to set aside assets for this purpose. The prior standard under the provisions of GASB Statement No. 45 allowed for the amortization of prior service costs over a thirty year period. As a result of the provisions of GASB Statement No. 75, the Village's total OPEB liability as of February 28, 2019 is \$162,831,143 (\$122,346,544 for governmental activities

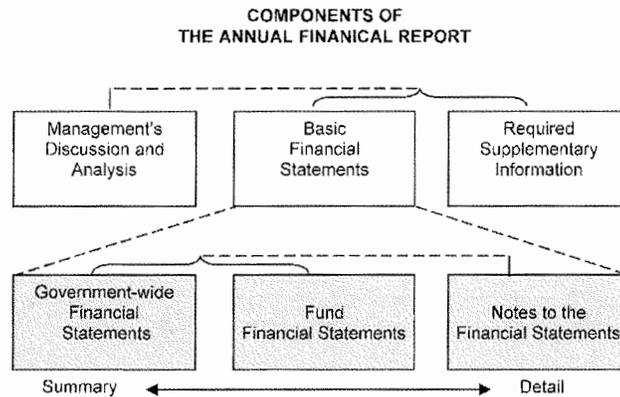
# Incorporated Village of Freeport, New York

## Management Discussion and Analysis February 28, 2019

and \$40,484,599 for business-type activities). The OPEB liability is reflected on the government-wide Statement of Net Position and impacts the total net position calculation. More detailed information about the Village's OPEB obligations reported in accordance with the provisions of GASB Statement No. 75 is presented in note 3G in the notes to financial statements. Also noteworthy is that this standard parallels the pension standard under the provisions of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions", presented in note 3G as well. At February 28, 2019, the Village also reported in its Statement of Net Position a liability of \$6,248,072 (\$5,196,723 for governmental activities and \$1,051,349 for business-type activities) for its proportionate share of the ERS and PFRS net pension liabilities.

### 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.



### 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.

## Incorporated Village of Freeport, New York

Management Discussion and Analysis  
February 28, 2019

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. However, its discretely presented component unit, the Village of Freeport Community Development Agency, has not been included.

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).

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, a discretely presented component unit has been omitted from the government-wide financial statements as the financial statements were not available. Refer to Note 1A and 2E of notes to the financial statements.

### **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.

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

Management Discussion and Analysis  
February 28, 2019

## 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 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.

# Incorporated Village of Freeport, New York

## Management Discussion and Analysis February 28, 2019

### 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 \$113,336,399 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.

#### Condensed Statements of Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	February 28, 2019	February 28, 2018	February 28, 2019	February 28, 2018	February 28, 2019	February 28, 2018
<b>Assets</b>						
Current and other assets	\$ 26,132,539	\$ 25,097,378	\$ 56,526,488	\$ 33,145,894	\$ 82,659,027	\$ 58,243,272
Capital assets	56,112,803	52,583,823	74,146,236	77,144,103	130,259,039	129,727,926
Total assets	<u>82,245,342</u>	<u>77,681,201</u>	<u>130,672,724</u>	<u>110,289,997</u>	<u>212,918,066</u>	<u>187,971,198</u>
Deferred outflows of resources	<u>19,029,140</u>	<u>16,240,957</u>	<u>5,484,620</u>	<u>4,855,945</u>	<u>24,513,760</u>	<u>21,096,902</u>
<b>Liabilities</b>						
Other liabilities	12,056,521	8,332,715	8,504,755	10,356,728	20,561,276	18,689,443
Long-term liabilities	<u>210,179,027</u>	<u>160,595,642</u>	<u>96,956,344</u>	<u>81,252,688</u>	<u>307,135,371</u>	<u>241,848,330</u>
Total liabilities	<u>222,235,548</u>	<u>168,928,357</u>	<u>105,461,099</u>	<u>91,609,416</u>	<u>327,696,647</u>	<u>260,537,773</u>
Deferred inflows of resources	<u>17,713,143</u>	<u>2,046,147</u>	<u>5,358,435</u>	<u>581,194</u>	<u>23,071,578</u>	<u>2,627,341</u>
<b>Net position</b>						
Net investment in capital assets	24,296,642	17,633,971	23,553,329	21,748,874	47,849,971	39,382,845
Restricted						
Debt Service	495,640	582,978	-	-	495,640	582,978
Unrestricted	<u>(163,466,491)</u>	<u>(95,269,295)</u>	<u>1,784,481</u>	<u>1,206,458</u>	<u>(161,682,010)</u>	<u>(94,062,837)</u>
Total net position	<u>\$ (138,674,209)</u>	<u>\$ (77,052,346)</u>	<u>\$ 25,337,810</u>	<u>\$ 22,955,332</u>	<u>\$ (113,336,399)</u>	<u>\$ (54,097,014)</u>

Total assets and deferred outflows of resources of the Village's governmental activities, as of February 28, 2019, were \$82,245,342 and \$19,029,140, respectively, a total increase of

## Incorporated Village of Freeport, New York

### Management Discussion and Analysis February 28, 2019

\$7,352,324. Total liabilities and deferred inflows of resources as of February 28, 2019 were \$222,235,548 and \$17,713,143, respectively, a total increase of \$68,974,187. This resulted in a net deficit balance of \$138,674,209 for 2019, which increased the deficit by \$61,621,863. Of the Village's governmental activities net position (deficit) balance, \$24,296,642 represents its net investment in capital assets and \$495,640 is restricted for debt service; leaving a \$163,466,491 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 28, 2019, were \$130,672,724 and \$5,484,620, respectively, a total increase of \$21,011,402. Total liabilities and deferred inflows of resources as of February 28, 2019 were \$105,461,099 and \$5,358,435, respectively, a total increase of \$18,628,924. This resulted in a net position balance of \$25,337,810 for 2019, an increase of \$2,382,478. Of the Village's business-type activities net position balance, \$23,553,329 represents its net investment in capital assets; leaving \$1,784,481 as unrestricted net position.

The Village's combined net investment in capital assets of \$47,849,971 as of February 28, 2019, 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 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 obligations increased by \$87,578,834 including a cumulate effect of change in accounting principle of \$87,841,413 in the current year, bringing the unfunded liability at year end to \$162,831,143 (\$122,346,544 for governmental activities and \$40,484,599 for business-type activities). Additional information on other postemployment benefits can be found in Note 3G in the notes to financial statements.

# Incorporated Village of Freeport, New York

## Management Discussion and Analysis February 28, 2019

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 28, 2019	February 28, 2018	February 28, 2019	February 28, 2018	February 28, 2019	February 28, 2018
<b>Program Revenues</b>						
Charges for services	\$ 16,624,196	\$ 15,606,545	\$ 43,235,145	\$ 40,026,807	\$ 59,859,341	\$ 55,633,352
Operating grants and contributions	383,221	757,185	-	-	383,221	757,185
Capital grants and contributions	1,415,179	313,435	-	-	1,415,179	313,435
	<u>18,422,596</u>	<u>16,677,165</u>	<u>43,235,145</u>	<u>40,026,807</u>	<u>61,657,741</u>	<u>56,703,972</u>
<b>General Revenues</b>						
Real property taxes	42,899,392	41,979,146	-	-	42,899,392	41,979,146
Other real property tax items	5,750,878	5,706,695	-	-	5,750,878	5,706,695
Non-property tax items	1,208,410	1,052,887	-	-	1,208,410	1,052,887
Unrestricted use of money and property	326,391	158,681	115,617	61,320	442,008	220,001
Sale of property and compensation for loss	32,963	26,911	-	-	32,963	26,911
State aid - unrestricted	1,526,816	1,512,476	-	-	1,526,816	1,512,476
Miscellaneous	95,791	30,527	-	-	95,791	30,527
Insurance recoveries	399,840	548,780	-	-	399,840	548,780
Costs to be recovered in future revenues	-	-	1,446,877	1,828,751	1,446,877	1,828,751
Contribution from component unit	3,081,286	-	-	-	3,081,286	-
Transfers	379,557	360,824	(379,557)	(360,824)	-	-
	<u>55,701,324</u>	<u>51,376,927</u>	<u>1,182,937</u>	<u>1,529,247</u>	<u>56,884,261</u>	<u>52,906,174</u>
<b>Total revenues</b>	<u>74,123,920</u>	<u>68,054,092</u>	<u>44,418,082</u>	<u>41,556,054</u>	<u>118,542,002</u>	<u>109,610,146</u>
<b>Program expenses</b>						
General government support	15,227,456	16,955,836	-	-	15,227,456	16,955,836
Public safety	39,610,590	40,219,146	-	-	39,610,590	40,219,146
Health	2,417	2,258	-	-	2,417	2,258
Transportation	4,656,939	4,557,525	-	-	4,656,939	4,557,525
Economic assistance and opportunity	155,583	130,553	-	-	155,583	130,553
Culture and recreation	5,991,647	5,840,599	-	-	5,991,647	5,840,599
Home and community services	4,827,254	4,712,677	-	-	4,827,254	4,712,677
Interest	1,147,498	1,168,981	-	-	1,147,498	1,168,981
Water	-	-	6,724,019	6,884,171	6,724,019	6,884,171
Electric	-	-	35,311,585	34,805,199	35,311,585	34,805,199
	<u>71,619,384</u>	<u>73,587,575</u>	<u>42,035,604</u>	<u>41,689,370</u>	<u>113,654,988</u>	<u>115,276,945</u>
<b>Change in net position</b>	<u>2,504,536</u>	<u>(5,533,483)</u>	<u>2,382,478</u>	<u>(133,316)</u>	<u>4,887,014</u>	<u>(5,666,799)</u>
<b>Net position, beginning of the year, as reported</b>	<u>(77,052,346)</u>	<u>(61,488,796)</u>	<u>22,955,332</u>	<u>23,088,648</u>	<u>(54,097,014)</u>	<u>(38,400,148)</u>
<b>Cumulative effect of change in accounting principle (see note 2C)</b>	<u>(64,126,399)</u>	<u>(10,030,067)</u>	<u>-</u>	<u>-</u>	<u>(64,126,399)</u>	<u>(10,030,067)</u>
<b>Net position, beginning of the year, as restated</b>	<u>(141,178,745)</u>	<u>(71,518,863)</u>	<u>22,955,332</u>	<u>23,088,648</u>	<u>(118,223,413)</u>	<u>(48,430,215)</u>
<b>Net position, end of year</b>	<u>\$ (138,674,209)</u>	<u>\$ (77,052,346)</u>	<u>\$ 25,337,810</u>	<u>\$ 22,955,332</u>	<u>\$ (113,336,399)</u>	<u>\$ (54,097,014)</u>

## Incorporated Village of Freeport, New York

### Management Discussion and Analysis February 28, 2019

During the year ended February 28, 2019, government-wide total revenues increased from the prior year by \$8,931,856 while government-wide expenses decreased from the prior year by \$1,621,957.

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

- Government-wide program revenues increased by approximately \$4,953,769, 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 \$3,978,087 from the previous year mainly due to real property transferred to the Village from its component unit, an increase in real estate property taxes collected, and the restoration of Aid to Villages (sales tax proceeds) that was withheld by Nassau County in the previous year.

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

- There was a decrease in tax certiorari settlements and related expenditures in the current year of approximately \$700,500 as compared to the prior year.
- There was a decrease in government-wide expenses despite an increase in the majority of functions mainly due to mandated contractual salary increases and the rising costs of employee benefits such as health insurance.

**Total Cost of Services, Program Revenues and Net Cost (Income) of Services  
Governmental Activities  
For the Years Ended February 28, 2019 and February 28, 2018**

	Total Cost of Services		Program Revenues		Net Cost of Services	
	February 28, 2019	February 28, 2018	February 28, 2019	February 28, 2018	February 28, 2019	February 28, 2018
General government support	\$ 15,227,456	\$ 16,955,836	\$ 1,319,967	\$ 1,901,952	\$ 13,907,489	\$ 15,053,884
Public Safety	39,610,590	40,219,146	4,580,327	3,837,048	35,030,263	36,382,098
Health	2,417	2,258	-	-	2,417	2,258
Transportation	4,656,939	4,557,525	1,315,716	408,685	3,341,223	4,148,840
Economic assistance and opportunity	155,583	130,553	61,204	16,495	94,379	114,058
Cultural and recreation	5,991,647	5,840,599	2,683,675	1,999,824	3,307,972	3,840,775
Home and community services	4,827,254	4,712,677	8,461,707	8,513,161	(3,634,453)	(3,800,484)
Interest	1,147,498	1,168,981	-	-	1,147,498	1,168,981
	<u>\$ 71,619,384</u>	<u>\$ 73,587,575</u>	<u>\$ 18,422,596</u>	<u>\$ 16,677,165</u>	<u>\$ 53,196,788</u>	<u>\$ 56,910,410</u>

The cost of the governmental activities this year was \$71,619,384. The net cost of these services after being subsidized by program revenues of \$18,422,596 was \$53,196,788.

## Incorporated Village of Freeport, New York

### Management Discussion and Analysis February 28, 2019

#### Total Cost of Services, Program Revenues and Net Cost (Income) of Services Business-Type Activities For the Years Ended February 28, 2019 and February 28, 2018

	Total Cost of Services		Program Revenues		Net Cost of Services	
	February 28, 2019	February 28, 2018	February 28, 2019	February 28, 2018	February 28, 2019	February 28, 2018
Water	\$ 35,311,585	\$ 34,805,199	\$ 36,422,121	\$ 32,900,599	\$ (1,110,536)	\$ 1,904,600
Electric	6,724,019	6,884,171	6,813,024	7,126,208	(89,005)	(242,037)
	<u>\$ 42,035,604</u>	<u>\$ 41,689,370</u>	<u>\$ 43,235,145</u>	<u>\$ 40,026,807</u>	<u>\$ (1,199,541)</u>	<u>\$ 1,662,563</u>

The cost of the business-type activities this year was \$42,035,604. The net income of these services derived from program revenues of \$43,235,145 was \$1,199,541.

### 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 \$15,307,238, a decrease of \$130,135 from the prior year. Of this amount, \$824,660 is not in spendable form (inventory of material and supplies and prepaid expenditures) and of the remaining \$14,482,578, \$6,180,815 is restricted for debt service and pension payments, \$39,020 has been assigned for purchase orders by the Village Comptroller, and the remaining \$8,262,743 is unassigned.

The key element that led to the decrease in fund balance was the negative performance of the Village's LOSAP program of approximately \$276,000. This decrease was offset by interest earned on the Village's investments that exceeded budgeted revenues.

At the end of the current year, the Capital Projects Fund had a deficit fund balance of \$1,484,362. The fund balance of the Capital Projects Fund decreased by \$2,708,281 from the prior year, a result of timing differences between project expenditures and the recognition of corresponding permanent financing.

#### 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 28, 2019, the Water Fund's net position was \$11,721,683, a slight increase of \$3,739 from the prior year. Operating revenues decreased by approximately \$313,000, a result

# Incorporated Village of Freeport, New York

## Management Discussion and Analysis February 28, 2019

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 decreased by approximately \$143,000, primarily the result of decreases in salaries and other administrative costs. The Water Fund's (net) non-operating revenues decreased by approximately \$80,000 due to reduced interest expense on debt in the current year as the fund has been paying down its outstanding debt, a decrease in costs related to OPEB that will be covered from future revenues, and a slight increase in interest income from the fund's investments.

### Electric Fund

As of February 28, 2019, the Electric Fund's net position was \$13,616,127, an increase of \$2,378,739 from the prior year. Operating revenues increased by approximately \$3,522,000 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 \$684,000, 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 expenses increased by approximately \$54,000, mainly due to reduced interest expense on debt in the current year as the fund is paying down its outstanding debt and a decrease 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 \$38,358 by appropriating prior year assigned fund balance. Overall, total revenues and other financing sources were less than budgeted by \$2,036,129 and total actual expenditures were less than total appropriations in the amount of \$2,380,064. As a result, the Village's overall budget was under-expended by \$343,935. In addition, the original budget was increased as follows:

Estimated revenues	\$ 179,400
Other financing sources	<u>1,693,000</u>
	1,872,400
Appropriations	<u>1,872,400</u>
	<u>\$ -</u>

### 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 28, 2019, amounts to \$56,112,803 and \$74,146,236, respectively. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure (roads, curbs, sidewalks, drainage, sewer and water systems) and intangibles.

## Incorporated Village of Freeport, New York

### Management Discussion and Analysis February 28, 2019

During the fiscal year ended February 28, 2019, the Village's major capital expenditures were as follows:

Water Fund infrastructure improvements	\$	293,043
Various road and sewer system improvements		2,812,267
Various building improvements		261,275
Acquisition of vehicles and major equipment		653,170
Acquisition of vehicles and major equipment – Electric Fund		<u>678,535</u>
		<u>\$ 4,698,290</u>

### Capital Assets Governmental Activities

	February 28, 2019	February 28, 2018
Land	\$ 7,068,069	\$ 3,986,783
Construction in progress	1,925,194	1,007,940
Buildings	15,472,834	15,211,559
Improvements other than buildings	18,116,528	18,067,981
Machinery and equipment	15,851,382	15,443,519
Intangibles - software	1,253,583	1,245,655
Infrastructure:		
Roads, curbs, sidewalks and drainage	55,109,189	52,488,382
Sewer system	<u>21,186,969</u>	<u>20,995,509</u>
 Total capital assets	 135,983,748	 128,447,328
Less: accumulated depreciation	<u>79,870,945</u>	<u>75,863,505</u>
 Total net governmental capital assets	 <u>\$ 56,112,803</u>	 <u>\$ 52,583,823</u>

## Incorporated Village of Freeport, New York

Management Discussion and Analysis  
February 28, 2019

### Capital Assets Business-type Activities

	February 28, 2019	February 28, 2018
Land	\$ 170,220	\$ 170,220
Construction in progress	416,336	669,572
Buildings, wells and structures	21,333,441	21,324,679
Improvements other than buildings	2,133,426	2,102,621
Machinery and equipment	108,674,954	108,359,524
Infrastructure - Water mains	20,648,920	20,355,877
Total capital assets	153,377,297	152,982,493
Less: accumulated depreciation	79,231,061	75,838,390
Total net business-type capital assets	\$ 74,146,236	\$ 77,144,103

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 July 2, 2019 was 16.00%.

## Incorporated Village of Freeport, New York

Management Discussion and Analysis  
February 28, 2019

### Debt Administration

A summary of activity for outstanding debt for the Village for the year ended February 28, 2019 is as follows:

	Balance March 1, 2018	Increases	Decreases	Balance February 28, 2019
<b>Governmental activities:</b>				
Bond anticipation notes	\$ 5,535,000	\$ 5,295,000	\$ 367,500	\$10,462,500
General obligation bonds*	41,337,225	-	6,052,363	35,284,862
	<u>\$46,872,225</u>	<u>\$ 5,295,000</u>	<u>\$ 6,419,863</u>	<u>\$45,747,362</u>
<b>Business-type activities:</b>				
Bond anticipation notes	1,100,000	285,000	-	1,385,000
General obligation bonds*	53,658,278	-	5,053,136	48,605,142
	<u>\$54,758,278</u>	<u>\$ 285,000</u>	<u>\$ 5,053,136</u>	<u>\$49,990,142</u>

\*Exclusive of related unamortized bond premiums

Moody's Investor Service ("Moody's") maintained the Village's credit rating at "A1" during the year ended February 28, 2019. On April 5, 2019, Moody's upgraded the Village's credit rating to "Aa3". 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 2019-2020 fiscal year, which factors in inflation and other adjustments to revenues and expenditures as well as prior year positive and negative fund balances. The 2019-2020 budget includes an overall decrease in real property tax revenues from the prior year of 0.063% 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 opt out of the applicable cap.

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

Management Discussion and Analysis  
February 28, 2019

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 29, 2020, the Village anticipates that assessment refunds will not exceed the budget allocation.

### **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.

**Incorporated Village of Freeport, New York**

Statement of Net Position  
February 28, 2019

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and equivalents	\$ 3,147,576	\$ 1,848,068	\$ 4,995,644
Investments	16,050,092	4,309,199	20,359,291
Receivables			
Taxes	644,806	-	644,806
Accounts	1,166,746	7,753,924	8,920,670
State and Federal aid	1,258,956	-	1,258,956
Due from other governments	259,135	-	259,135
Internal balances	2,780,568	(2,780,568)	-
Inventories	351,724	2,428,886	2,780,610
Prepaid expenses	472,936	123,442	596,378
Costs to be recovered from future revenues	-	42,407,902	42,407,902
Regulatory deposit	-	435,635	435,635
Capital assets			
Not being depreciated	8,993,263	586,556	9,579,819
Being depreciated, net	47,119,540	73,559,680	120,679,220
<b>Total Assets</b>	<b>82,245,342</b>	<b>130,672,724</b>	<b>212,918,066</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amounts on refunding bonds	797,504	1,755,354	2,552,858
Deferred amounts on net pension liabilities	17,282,327	3,729,266	21,011,593
Deferred amounts on fire service awards	949,309	-	949,309
<b>Total Deferred Outflows of Resources</b>	<b>19,029,140</b>	<b>5,484,620</b>	<b>24,513,760</b>
<b>LIABILITIES</b>			
Accounts payable	3,226,279	1,398,827	4,625,106
Accrued interest payable	367,087	307,497	674,584
Accrued liabilities	645,179	31,570	676,749
Due to other governments	11,609	-	11,609
Customer deposits	-	1,433,309	1,433,309
Regulatory liabilities	-	3,719,311	3,719,311
Unearned revenues	33,867	229,241	263,108
Bond anticipation notes payable	7,772,500	1,385,000	9,157,500
Non-current liabilities			
Due within one year	10,702,767	4,348,717	15,051,484
Due in more than one year	199,476,260	92,607,627	292,083,887
<b>Total Liabilities</b>	<b>222,235,548</b>	<b>105,461,099</b>	<b>327,696,647</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred amounts on net pension liabilities	11,555,745	3,435,132	14,990,877
Deferred amounts on other post employment benefits	5,400,864	1,923,303	7,324,167
Deferred amounts on fire service awards	756,534	-	756,534
<b>Total Deferred Inflows of Resources</b>	<b>17,713,143</b>	<b>5,358,435</b>	<b>23,071,578</b>
<b>NET POSITION</b>			
Net investment in capital assets	24,296,642	23,553,329	47,849,971
Restricted			
Debt service	495,640	-	495,640
Unrestricted	(163,466,491)	1,784,481	(161,682,010)
<b>Total Net Position</b>	<b>\$ (138,674,209)</b>	<b>\$ 25,337,810</b>	<b>\$ (113,336,399)</b>

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

**Incorporated Village of Freeport, New York**

Statement of Activities  
Year Ended February 28, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities</b>				
General government support	\$ 15,227,456	\$ 1,319,967	\$ -	\$ -
Public safety	39,610,590	4,518,344	45,423	16,560
Health	2,417	-	-	-
Transportation	4,656,939	128,980	-	1,186,736
Economic opportunity and development	155,583	-	61,204	-
Culture and recreation	5,991,647	2,683,675	-	-
Home and community services	4,827,254	7,973,230	276,594	211,883
Interest	1,147,498	-	-	-
<b>Total Governmental Activities</b>	<b>71,619,384</b>	<b>16,624,196</b>	<b>383,221</b>	<b>1,415,179</b>
<b>Business-type activities</b>				
Water	6,724,019	6,813,024	-	-
Electric	35,311,585	36,422,121	-	-
<b>Total Business-Type Activities</b>	<b>42,035,604</b>	<b>43,235,145</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>\$ 113,654,988</b>	<b>\$ 59,859,341</b>	<b>\$ 383,221</b>	<b>\$ 1,415,179</b>

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  
 Costs to be recovered from future revenues  
 Contribution from component unit  
 Transfers

Total General Revenues

Change in Net Position

**NET POSITION**

Beginning of Year, as reported

Cumulative Effect of Change in Accounting Principle

Beginning of Year, as restated

End of Year

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

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (13,907,489)	\$ -	\$ (13,907,489)
(35,030,263)	-	(35,030,263)
(2,417)	-	(2,417)
(3,341,223)	-	(3,341,223)
(94,379)	-	(94,379)
(3,307,972)	-	(3,307,972)
3,634,453	-	3,634,453
(1,147,498)	-	(1,147,498)
<u>(53,196,788)</u>	<u>-</u>	<u>(53,196,788)</u>
-	89,005	89,005
-	1,110,536	1,110,536
<u>-</u>	<u>1,199,541</u>	<u>1,199,541</u>
<u>(53,196,788)</u>	<u>1,199,541</u>	<u>(51,997,247)</u>
42,899,392	-	42,899,392
356,701	-	356,701
5,394,177	-	5,394,177
119,088	-	119,088
1,089,322	-	1,089,322
326,391	115,617	442,008
32,963	-	32,963
1,526,816	-	1,526,816
95,791	-	95,791
399,840	-	399,840
-	1,446,877	1,446,877
3,081,286	-	3,081,286
379,557	(379,557)	-
<u>55,701,324</u>	<u>1,182,937</u>	<u>56,884,261</u>
<u>2,504,536</u>	<u>2,382,478</u>	<u>4,887,014</u>
(77,052,346)	22,955,332	(54,097,014)
<u>(64,126,399)</u>	<u>-</u>	<u>(64,126,399)</u>
<u>(141,178,745)</u>	<u>22,955,332</u>	<u>(118,223,413)</u>
<u>\$ (138,674,209)</u>	<u>\$ 25,337,810</u>	<u>\$ (113,336,399)</u>

**Incorporated Village of Freeport, New York**

Balance Sheet  
 Governmental Funds  
 February 28, 2019

	General	Capital Projects	Total Governmental Funds
<b>ASSETS</b>			
Cash and equivalents	\$ 3,002,680	\$ 144,896	\$ 3,147,576
Investments	10,541,147	5,508,945	16,050,092
Taxes receivable	644,806	-	644,806
Other receivables			
Accounts	1,166,746	-	1,166,746
State and Federal aid	276,991	981,965	1,258,956
Due from other funds	3,735,070	840,385	4,575,455
Due from other governments	259,135	-	259,135
	<u>5,437,942</u>	<u>1,822,350</u>	<u>7,260,292</u>
Inventories	351,724	-	351,724
Prepaid expenditures	472,936	-	472,936
Total Assets	<u>\$ 20,451,235</u>	<u>\$ 7,476,191</u>	<u>\$ 27,927,426</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>			
Liabilities			
Accounts payable	\$ 2,764,806	\$ 461,473	\$ 3,226,279
Accrued liabilities	645,179	-	645,179
Due to other funds	1,068,307	726,580	1,794,887
Due to other governments	11,609	-	11,609
Unearned revenues	33,867	-	33,867
Bond anticipation notes payable	-	7,772,500	7,772,500
Total Liabilities	4,523,768	8,960,553	13,484,321
Deferred inflows of resources			
Deferred tax revenues	620,229	-	620,229
Total Liabilities and Deferred Inflows of Resources	<u>5,143,997</u>	<u>8,960,553</u>	<u>14,104,550</u>
Fund balances (deficits)			
Nonspendable	824,660	-	824,660
Restricted	6,180,815	-	6,180,815
Assigned	39,020	-	39,020
Unassigned	8,262,743	(1,484,362)	6,778,381
Total Fund Balances (Deficits)	<u>15,307,238</u>	<u>(1,484,362)</u>	<u>13,822,876</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 20,451,235</u>	<u>\$ 7,476,191</u>	<u>\$ 27,927,426</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 28, 2019

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Fund Balances - Total Governmental Funds	<u>\$ 13,822,876</u>
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>56,112,803</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>620,229</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 refunding bonds Deferred amounts on net pension liabilities Deferred amounts on other post employment benefits Deferred amounts on fire service awards	<u>797,504</u> <u>5,726,582</u> <u>(5,400,864)</u> <u>192,775</u>
	<u>1,315,997</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 Pension obligations Net pension liabilities Total pension liability - fire service awards Other post employment benefit obligations payable	<u>(367,087)</u> <u>(36,735,188)</u> <u>(2,690,000)</u> <u>(6,919,165)</u> <u>(22,115,806)</u> <u>(3,290,722)</u> <u>(5,196,723)</u> <u>(10,884,879)</u> <u>(122,346,544)</u>
	<u>(210,546,114)</u>
Net Position of Governmental Activities	<u>\$ (138,674,209)</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 28, 2019

	General	Capital Projects	Total Governmental Funds
<b>REVENUES</b>			
Real property taxes	\$ 42,872,956	\$ -	\$ 42,872,956
Other tax items	5,750,878	-	5,750,878
Non-property taxes	1,208,410	-	1,208,410
Departmental income	8,094,244	-	8,094,244
Intergovernmental revenues	6,500	-	6,500
Interfund revenues	1,176,310	-	1,176,310
Use of money and property	1,764,539	-	1,764,539
Net change in fair value of investments	(159,151)	-	(159,151)
Licenses and permits	1,801,708	-	1,801,708
Fines and forfeitures	4,212,382	-	4,212,382
Sale of property and compensation for loss	32,963	-	32,963
State aid	1,535,479	1,170,736	2,706,215
Federal aid	236,613	211,883	448,496
Miscellaneous	95,791	32,560	128,351
<b>Total Revenues</b>	<b>68,629,622</b>	<b>1,415,179</b>	<b>70,044,801</b>
<b>EXPENDITURES</b>			
Current			
General government support	11,005,344	-	11,005,344
Public safety	22,546,858	-	22,546,858
Health	2,417	-	2,417
Transportation	2,180,348	-	2,180,348
Economic opportunity and development	155,211	-	155,211
Culture and recreation	3,471,637	-	3,471,637
Home and community services	3,718,640	-	3,718,640
Employee benefits	20,082,902	-	20,082,902
Capital outlay	-	4,107,338	4,107,338
Debt service			
Principal	7,732,363	-	7,732,363
Interest	1,349,556	-	1,349,556
<b>Total Expenditures</b>	<b>72,245,276</b>	<b>4,107,338</b>	<b>76,352,614</b>
<b>Deficiency of Revenues Over Expenditures</b>	<b>(3,615,654)</b>	<b>(2,692,159)</b>	<b>(6,307,813)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance recoveries	399,840	-	399,840
Bond anticipation notes issued	2,690,000	-	2,690,000
Transfers in	763,179	367,500	1,130,679
Transfers out	(367,500)	(383,622)	(751,122)
<b>Total Other Financing Sources</b>	<b>3,485,519</b>	<b>(16,122)</b>	<b>3,469,397</b>
<b>Net Change in Fund Balances</b>	<b>(130,135)</b>	<b>(2,708,281)</b>	<b>(2,838,416)</b>
<b>FUND BALANCES (DEFICITS)</b>			
Beginning of Year	15,437,373	1,223,919	16,661,292
End of Year	<u>\$ 15,307,238</u>	<u>\$ (1,484,362)</u>	<u>\$ 13,822,876</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 28, 2019

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

Net Change in Fund Balances - Total Governmental Funds	<u>\$ (2,838,416)</u>
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	4,700,441
Depreciation expense	<u>(4,252,747)</u>
	<u>447,694</u>
The net effect of various miscellaneous transactions involving capital assets is to increase net position.	
Contribution of land from component unit	<u>3,081,286</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>26,436</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.	
Bond anticipation notes issued	(2,690,000)
Principal paid on bond anticipation notes	1,680,000
Principal paid on bonds	6,052,363
Amortization of loss on refunding bonds and issuance premium	<u>78,723</u>
	<u>5,121,086</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	123,335
Claims and tax certiorari payable	2,168,537
Compensated absences	(60,715)
Pension obligations	616,064
Net pension liabilities	(300,851)
Total pension liability - fire service awards	(273,209)
Other post employment benefit obligations	<u>(5,606,711)</u>
	<u>(3,333,550)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 2,504,536</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 28, 2019

	Original Budget (1)	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Real property taxes	\$ 43,318,724	\$ 43,318,724	\$ 42,872,956	\$ (445,768)
Other tax items	5,744,760	5,744,760	5,750,878	6,118
Non-property taxes	1,050,000	1,050,000	1,208,410	158,410
Departmental income	7,977,790	8,012,790	8,094,244	81,454
Intergovernmental revenues	6,500	6,500	6,500	-
Interfund revenues	1,600,000	1,600,000	1,176,310	(423,690)
Use of money and property	1,350,150	1,350,150	1,605,388	255,238
Licenses and permits	3,381,300	3,381,300	1,801,708	(1,579,592)
Fines and forfeitures	3,740,000	3,740,000	4,212,382	472,382
Sale of property and compensation for loss	32,000	32,000	32,963	963
State aid	1,336,311	1,385,311	1,535,479	150,168
Federal aid	171,000	266,400	236,613	(29,787)
Miscellaneous	75,200	75,200	95,791	20,591
<b>Total Revenues</b>	<b>69,783,735</b>	<b>69,963,135</b>	<b>68,629,622</b>	<b>(1,333,513)</b>
<b>EXPENDITURES</b>				
Current				
General government support	12,490,877	11,979,595	11,005,344	974,251
Public safety	22,900,459	23,092,008	22,546,858	545,150
Health	3,350	3,350	2,417	933
Transportation	2,352,709	2,340,209	2,180,348	159,861
Economic opportunity and development	243,920	243,920	155,211	88,709
Culture and recreation	3,582,721	3,647,354	3,471,637	175,717
Home and community services	4,020,027	4,031,027	3,718,640	312,387
Employee benefits	19,549,445	19,895,945	20,082,902	(186,957)
Debt service				
Principal	6,052,364	7,732,364	7,732,363	1
Interest	1,354,464	1,354,464	1,349,556	4,908
<b>Total Expenditures</b>	<b>72,550,336</b>	<b>74,320,236</b>	<b>72,245,276</b>	<b>2,074,960</b>
Deficiency of Revenues Over Expenditures	(2,766,601)	(4,357,101)	(3,615,654)	741,447
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recoveries	540,000	553,000	399,840	(153,160)
Sale of real property	500,000	500,000	-	(500,000)
Bond anticipation notes issued	1,260,000	2,940,000	2,690,000	(250,000)
Transfers in	533,500	533,500	763,179	229,679
Transfers out	(265,000)	(367,500)	(367,500)	-
<b>Total Other Financing Sources</b>	<b>2,568,500</b>	<b>4,159,000</b>	<b>3,485,519</b>	<b>(673,481)</b>
<b>Net Change in Fund Balance</b>	<b>(198,101)</b>	<b>(198,101)</b>	<b>(130,135)</b>	<b>67,966</b>
<b>FUND BALANCE</b>				
Beginning of Year	198,101	198,101	15,437,373	15,239,272
End of Year	\$ -	\$ -	\$ 15,307,238	\$ 15,307,238

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

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

**Incorporated Village of Freeport, New York**

Statement of Net Position  
 Proprietary Funds  
 February 28, 2019

	Business-type Activities - Enterprise Funds		
	Water	Electric	Totals
<b>ASSETS</b>			
Current assets			
Cash and equivalents	\$ 193,411	\$ 1,654,657	\$ 1,848,068
Investments	597,030	3,712,169	4,309,199
Accounts receivable	2,698,850	5,055,074	7,753,924
Due from other funds	501,258	376,218	877,476
Inventories	79,986	2,348,900	2,428,886
Prepaid expenses	16,063	107,379	123,442
<b>Total Current Assets</b>	<b>4,086,598</b>	<b>13,254,397</b>	<b>17,340,995</b>
Non-current assets			
Costs to be recovered from future revenues	7,871,918	34,535,984	42,407,902
Regulatory deposit	-	435,635	435,635
Capital assets			
Not being depreciated	85,981	500,575	586,556
Being depreciated, net	16,326,599	57,233,081	73,559,680
<b>Total Non-Current Assets</b>	<b>24,284,498</b>	<b>92,705,275</b>	<b>116,989,773</b>
<b>Total Assets</b>	<b>28,371,096</b>	<b>105,959,672</b>	<b>134,330,768</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amounts on refunding bonds	109,271	1,646,083	1,755,354
Deferred amounts on net pension liabilities	588,361	3,140,905	3,729,266
<b>Total Deferred Outflows of Resources</b>	<b>697,632</b>	<b>4,786,988</b>	<b>5,484,620</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	221,637	1,177,190	1,398,827
Accrued interest payable	66,995	240,502	307,497
Accrued liabilities	31,570	-	31,570
Due to other funds	394,315	3,263,729	3,658,044
Customer deposits	-	1,433,309	1,433,309
Regulatory liabilities	-	3,719,311	3,719,311
Bond anticipation notes payable	1,235,000	150,000	1,385,000
Unearned revenues	-	229,241	229,241
<b>Total Current Liabilities</b>	<b>1,949,517</b>	<b>10,213,282</b>	<b>12,162,799</b>
Non-current liabilities			
Due within one year	964,215	3,384,502	4,348,717
Due in more than one year	13,484,622	79,123,005	92,607,627
<b>Total Non-Current Liabilities</b>	<b>14,448,837</b>	<b>82,507,507</b>	<b>96,956,344</b>
<b>Total Liabilities</b>	<b>16,398,354</b>	<b>92,720,789</b>	<b>109,119,143</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred amounts on net pension liabilities	541,956	2,893,176	3,435,132
Deferred amounts on other post employment benefits	406,735	1,516,568	1,923,303
<b>Total Deferred Inflows of Resources</b>	<b>948,691</b>	<b>4,409,744</b>	<b>5,358,435</b>
<b>NET POSITION</b>			
Net investment in capital assets	8,991,360	14,561,969	23,553,329
Unrestricted	2,730,323	(945,842)	1,784,481
<b>Total Net Position</b>	<b>\$ 11,721,683</b>	<b>\$ 13,616,127</b>	<b>\$ 25,337,810</b>

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 28, 2019

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Electric</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 6,373,521	\$ 33,463,809	\$ 39,837,330
Federal aid	-	680,865	680,865
Interest and penalties	439,503	-	439,503
Miscellaneous	-	2,277,447	2,277,447
	<u>6,813,024</u>	<u>36,422,121</u>	<u>43,235,145</u>
<b>OPERATING EXPENSES</b>			
Power generation	-	14,159,308	14,159,308
Power and pumping	2,127,584	-	2,127,584
Transmission and distribution services	251,408	1,568,392	1,819,800
Street lighting and signal system	-	218,521	218,521
Customer counting and collection	-	826,891	826,891
Administrative and general	2,023,979	10,037,252	12,061,231
Depreciation	766,447	2,972,067	3,738,514
Charges in lieu of taxes	1,344,150	3,747,000	5,091,150
Miscellaneous	-	89,612	89,612
	<u>6,513,568</u>	<u>33,619,043</u>	<u>40,132,611</u>
Total Operating Expenses			
	<u>6,513,568</u>	<u>33,619,043</u>	<u>40,132,611</u>
Income from Operations	<u>299,456</u>	<u>2,803,078</u>	<u>3,102,534</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income	23,877	91,740	115,617
Interest expense	(210,451)	(1,692,542)	(1,902,993)
Costs to be covered from future revenues	270,414	1,176,463	1,446,877
	<u>83,840</u>	<u>(424,339)</u>	<u>(340,499)</u>
Total Non-Operating Revenues (Expenses)			
	<u>83,840</u>	<u>(424,339)</u>	<u>(340,499)</u>
Income Before Transfers	383,296	2,378,739	2,762,035
Transfers Out	(379,557)	-	(379,557)
Change in Net Position	3,739	2,378,739	2,382,478
<b>NET POSITION</b>			
Beginning of Year	<u>11,717,944</u>	<u>11,237,388</u>	<u>22,955,332</u>
End of Year	<u>\$ 11,721,683</u>	<u>\$ 13,616,127</u>	<u>\$ 25,337,810</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 28, 2019

	Business-type Activities - Enterprise Funds		
	Water	Electric	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from charges for services	\$ 7,011,510	\$ 33,525,266	\$ 40,536,776
Cash received from federal aid	-	680,865	680,865
Cash received from interfund services provided	-	2,576,860	2,576,860
Cash payments for goods, services and compensation	(4,855,760)	(27,524,606)	(32,380,366)
Cash payments for interfund services used	(1,168,005)	(4,146,449)	(5,314,454)
Net Cash From Operating Activities	987,745	5,111,936	6,099,681
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal paid on bonds	(1,196,361)	(3,856,775)	(5,053,136)
Bond anticipation notes issued	135,000	150,000	285,000
Interest paid on indebtedness	(210,333)	(1,774,768)	(1,985,101)
Acquisition and construction of capital assets	(378,752)	(434,061)	(812,813)
Gain on disposal of capital assets	-	72,166	72,166
Transfers out	(379,557)	-	(379,557)
Net Cash From Capital and Related Financing Activities	(2,030,003)	(5,843,438)	(7,873,441)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sale of investments	1,118,455	460,359	1,578,814
Interest income	23,877	91,740	115,617
Net Cash From Investing Activities	1,142,332	552,099	1,694,431
Net Change in Cash and Equivalents	100,074	(179,403)	(79,329)
<b>CASH AND EQUIVALENTS</b>			
Beginning of Year	93,337	1,834,060	1,927,397
End of Year	\$ 193,411	\$ 1,654,657	\$ 1,848,068
<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES</b>			
Income from operations	\$ 299,456	\$ 2,803,078	\$ 3,102,534
Adjustments to reconcile income from operations to net cash from operating activities			
Depreciation	766,447	2,972,067	3,738,514
Changes in operating assets and liabilities			
Accounts receivable	198,486	338,424	536,910
Due from other funds	(1,930)	(2,983)	(4,913)
Inventories	(18,728)	(60,414)	(79,142)
Prepaid expenses	3,440	(1,125)	2,315
Regulatory deposit	-	(105,712)	(105,712)
Accounts payable	(608,669)	(188,649)	(797,318)
Accrued liabilities	5,261	-	5,261
Due to other funds	176,145	(399,449)	(223,304)
Customer deposits	-	25,429	25,429
Regulatory liabilities	-	(1,322,423)	(1,322,423)
Pension obligations	(42,021)	(182,249)	(224,270)
Compensated absences	(35,174)	49,950	14,776
Net pension liabilities, net of deferred amounts	(25,382)	9,529	(15,853)
Other post employment benefit obligations payable, net of deferred amounts	270,414	1,176,463	1,446,877
Net Cash from Operating Activities	\$ 987,745	\$ 5,111,936	\$ 6,099,681

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 28, 2019

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	<u>Agency</u>
<b>ASSETS</b>	
Cash and equivalents	\$ 280,929
Investments	18,352
Accounts receivable	<u>1,208,178</u>
Total Assets	<u><u>\$ 1,507,459</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 373,767
Deposits	1,017,725
Employee payroll deductions	<u>115,967</u>
Total Liabilities	<u><u>\$ 1,507,459</u></u>

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

**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 should be included in the Village's reporting entity because of its operational or financial relationship with the Village. Discretely presented component units are presented as a separate column in the government-wide financial statements to emphasize that they are 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"). Audited financial statements are not currently available for the Agency (see Note 2E).

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 operating fund of the Village and is used to account for and report all financial resources not accounted for and reported in another fund.

Capital Projects Fund - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets, other than those financed by proprietary funds.

- 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 obligations, net pension liabilities, total pension liabilities and other post employment benefit obligations are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

**Cash and Equivalents, 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.

The Village follows the provisions of GASB Statement No. 72, "*Fair Value Measurements 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

**Note 1 - Summary of Significant Accounting Policies (Continued)**

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 30<sup>th</sup>. At February 28, 2019, the Village had \$14,717,073 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 17<sup>th</sup> 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 bank balances that were not covered by depository insurance were not exposed to custodial credit risk at February 28, 2019.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**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** - Property taxes are levied and become a lien no later than March 1<sup>st</sup> each year. Taxes are levied based upon the taxable value of all real property located within the Village. Taxes are payable in two equal installments without penalty, on March 1<sup>st</sup> and September 1<sup>st</sup>. The first half of real property taxes becomes delinquent after April 1<sup>st</sup> and the second half becomes delinquent after October 1<sup>st</sup>. Thereafter, penalties and interest are imposed pursuant to the Real Property Tax Law. After certification and return of the tax warrant to the Board of 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 28, 2019, 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.

**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.

## Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)  
February 28, 2019

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

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 28, 2019. 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 28, 2019 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	\$ 798,998	\$ 3,062,917	\$ 3,861,915
Costs included in current year rates			
Amount of current year payments	(222,111)	(977,324)	(1,199,435)
Changes in assumptions and other inputs	<u>(306,473)</u>	<u>(909,130)</u>	<u>(1,215,603)</u>
Costs to be recovered from future revenues	<u>270,414</u>	<u>1,176,463</u>	<u>1,446,877</u>
Beginning, as reported	3,539,482	13,703,529	17,243,011
Cumulative Effect of Change in Accounting Principle (see Note 2C)	<u>4,062,022</u>	<u>19,655,992</u>	<u>23,718,014</u>
Beginning, as restated	<u>7,601,504</u>	<u>33,359,521</u>	<u>40,961,025</u>
Ending	<u>\$ 7,871,918</u>	<u>\$ 34,535,984</u>	<u>\$ 42,407,902</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 "Codification of Accounting and Financial Reporting Guidance Contained in pre-November 30, 1989 FASB and AICPA Pronouncements", 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 28, 2019, the Village's regulatory assets and liabilities, as reported in the Electric Fund, were \$435,635 and \$3,719,311, respectively.

**Incorporated Village of Freeport, New York**

Notes to Financial Statements (Continued)  
February 28, 2019

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**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%

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

**Incorporated Village of Freeport, New York**

Notes to Financial Statements (Continued)  
February 28, 2019

**Note 1 - Summary of Significant Accounting Policies (Continued)**

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 \$33,867 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 \$620,229 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 Police and Fire Retirement System	\$ 12,885,060	\$ -	\$ 7,505,299	\$ -
New York State and Local Employees' Retirement System	4,397,267	3,729,266	4,050,446	3,435,132
Fire Service Awards Program	949,309	-	756,534	-
Other Postemployment Benefit Obligations	-	-	5,400,864	1,923,303
Deferred Amounts on Refunding Bonds	797,504	1,755,354	-	-
	<u>\$ 19,029,140</u>	<u>\$ 5,484,620</u>	<u>\$ 17,713,143</u>	<u>\$ 5,358,435</u>

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.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

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 obligations. These amounts are detailed in the discussion of the Village's pension, fire service award and other postemployment benefit obligations 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:

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).

**Note 1 - Summary of Significant Accounting Policies (Continued)**

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.

**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.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**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 20, 2019.

**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 20<sup>th</sup>, the budget officer submits to the Village Clerk and the Village Board of Trustees, a tentative operating budget for the fiscal year commencing the following March 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 15<sup>th</sup>.
- c) After the public hearing and on or before February 1<sup>st</sup>, 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.
- 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.

**Note 2 - Stewardship, Compliance and Accountability (Continued)**

- 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 2019 fiscal year was \$69,513,596 which exceeded the actual levy, after exclusions by \$26,194,872.

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 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. Cumulative Effect of Change in Accounting Principle**

For the year ended February 28, 2019, the Village implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("OPEB)". This statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governments by establishing standards for recognizing and measuring liabilities, deferred outflows/inflows of resources and expenses/expenditures. This statement identifies the methods and assumptions that are

## Incorporated Village of Freeport, New York

Notes to Financial Statements (Continued)  
February 28, 2019

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### **Note 2 - Stewardship, Compliance and Accountability (Continued)**

required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to the periods of employee service. As a result of adopting these standards, the government-wide financial statements reflect a cumulative effect for the change in accounting principle of \$(64,126,399) for governmental activities. The cumulative effect for the change in accounting principle for the business-type activities of (\$23,718,014) is reflected on the Statement of Net Position as an increase to the asset "costs to be recovered from future revenues" and an increase in the long-term liability "other postemployment benefit obligations" (See Note 1 Regulatory Assets and Liabilities).

#### **D. Capital Projects Fund Deficit**

The unassigned deficit in the Capital Projects Fund of \$1,484,362 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. These deficits will be reduced and eliminated as bond anticipation notes are redeemed from interfund transfers from other governmental funds or converted to permanent financing.

#### **E. Departure from Generally Accepted Accounting Principles**

Due to the nature and significance of the relationship between the Village and the Agency, GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*", requires that the discretely presented component unit be included within the financial statements of the primary government to be in conformity with generally accepted accounting principles. As of the date of this report, the financial statements of the Agency were not available and as such have been omitted.

### **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	\$ 131,198	\$ 131,198	\$ -	\$ -
Bond funds	2,278,856	-	1,660,414	618,442
U.S. and International equities funds	1,604,269	1,604,269	-	-
Mixed asset funds	1,646,247	1,646,247	-	-
	<u>\$ 5,660,570</u>	<u>\$ 3,381,714</u>	<u>\$ 1,660,414</u>	<u>\$ 618,442</u>

**Incorporated Village of Freeport, New York**

Notes to Financial Statements (Continued)  
February 28, 2019

**Note 3 - Detailed Notes on All Funds (Continued)**

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	\$ 131,198	\$ 131,198	\$ -	\$ -	\$ -	\$ -	\$ -
Bond funds	2,278,856	-	167,766	57,735	20,304	1,082,699	950,352
U.S. and International equities funds	1,604,269	1,604,269	-	-	-	-	-
Mixed asset funds	1,646,247	1,646,247	-	-	-	-	-
	<u>\$ 5,660,570</u>	<u>\$ 3,381,714</u>	<u>\$ 167,766</u>	<u>\$ 57,735</u>	<u>\$ 20,304</u>	<u>\$ 1,082,699</u>	<u>\$ 950,352</u>

**B. Taxes Receivable**

Taxes receivable at February 28, 2019 consisted of the following:

Tax liens \$ 644,806

Taxes receivable are partially offset by deferred tax revenues of \$620,229 which represents an estimate of the taxes receivable which will not be collected within the first sixty days of the subsequent year.

**C. Due From/To Other Funds**

The balances reflected as due from/to other funds at February 28, 2019 were as follows:

	Due From	Due To
Governmental Activities		
General Fund	\$ 3,735,070	\$ 1,068,307
Capital Projects Fund	840,385	726,580
Business-type Activities		
Water Fund	501,258	394,315
Electric Fund	376,218	3,263,729
	<u>\$ 5,452,931</u>	<u>\$ 5,452,931</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:

Class	Balance March 1, 2018	Additions	Deletions	Balance February 28, 2019
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 3,986,783	\$ 3,081,286	\$ -	\$ 7,068,069
Construction-in-progress	1,007,940	1,908,995	991,741	1,925,194
Total Capital Assets, not being depreciated	<u>\$ 4,994,723</u>	<u>\$ 4,990,281</u>	<u>\$ 991,741</u>	<u>\$ 8,993,263</u>

**Incorporated Village of Freeport, New York**

Notes to Financial Statements (Continued)  
February 28, 2019

**Note 3 - Detailed Notes on All Funds (Continued)**

Class	Balance March 1, 2018	Additions	Deletions	Balance February 28, 2019
<b>Governmental Activities: (Cont'd)</b>				
Capital Assets, being depreciated:				
Buildings	\$ 15,211,559	\$ 261,275	\$ -	\$ 15,472,834
Improvements Other Than Buildings	18,067,981	48,547	-	18,116,528
Machinery and Equipment	15,443,519	653,170	245,307	15,851,382
Intangibles - Software	1,245,655	7,928	-	1,253,583
Infrastructure	73,483,891	2,812,267	-	76,296,158
Total Capital Assets, being depreciated	123,452,605	3,783,187	245,307	126,990,485
Less Accumulated Depreciation for:				
Buildings	9,030,680	413,023	-	9,443,703
Improvements Other Than Buildings	11,281,024	726,938	-	12,007,962
Machinery and Equipment	12,105,524	726,066	245,307	12,586,283
Intangibles - Software	769,118	122,895	-	892,013
Infrastructure	42,677,159	2,263,825	-	44,940,984
Total Accumulated Depreciation	75,863,505	4,252,747	245,307	79,870,945
Total Capital Assets, being depreciated, net	\$ 47,589,100	\$ (469,560)	\$ -	\$ 47,119,540
Governmental Activities Capital Assets, net	\$ 52,583,823	\$ 4,520,721	\$ 991,741	\$ 56,112,803
<b>Water Fund:</b>				
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	2,102,621	30,805	-	2,133,426
Machinery and Equipment	951,911	54,904	-	1,006,815
Infrastructure	20,355,877	293,043	-	20,648,920
Total Capital Assets, being depreciated	32,857,484	378,752	-	33,236,236
Less Accumulated Depreciation for:				
Buildings	2,598,592	184,544	-	2,783,136
Improvements Other Than Buildings	1,087,835	106,198	-	1,194,033
Machinery and Equipment	812,875	24,123	-	836,998
Infrastructure	11,643,888	451,582	-	12,095,470
Total Accumulated Depreciation	16,143,190	766,447	-	16,909,637
Total Capital Assets, being depreciated, net	\$ 16,714,294	\$ (387,695)	\$ -	\$ 16,326,599
Water Fund Capital Assets, net	\$ 16,800,275	\$ (387,695)	\$ -	\$ 16,412,580

**Incorporated Village of Freeport, New York**

Notes to Financial Statements (Continued)  
February 28, 2019

**Note 3 - Detailed Notes on All Funds (Continued)**

Class	Balance March 1, 2018	Additions	Deletions	Balance February 28, 2019
<b>Electric Fund:</b>				
Capital Assets, not being depreciated:				
Land	\$ 84,239	\$ -	\$ -	\$ 84,239
Construction-in-progress	669,572	348,903	602,139	416,336
 Total Capital Assets, not being depreciated	 <u>\$ 753,811</u>	 <u>\$ 348,903</u>	 <u>\$ 602,139</u>	 <u>\$ 500,575</u>
Capital Assets, being depreciated:				
Buildings	\$ 11,877,604	\$ 8,762	\$ -	\$ 11,886,366
Machinery and Equipment	107,407,613	678,535	418,009	107,668,139
 Total Capital Assets, being depreciated	 <u>119,285,217</u>	 <u>687,297</u>	 <u>418,009</u>	 <u>119,554,505</u>
Less Accumulated Depreciation for:				
Buildings	7,729,659	224,515	-	7,954,174
Machinery and Equipment	51,965,541	2,747,552	345,843	54,367,250
 Total Accumulated Depreciation	 <u>59,695,200</u>	 <u>2,972,067</u>	 <u>345,843</u>	 <u>62,321,424</u>
 Total Capital Assets, being depreciated, net	 <u>\$ 59,590,017</u>	 <u>\$ (2,284,770)</u>	 <u>\$ 72,166</u>	 <u>\$ 57,233,081</u>
 Electric Fund Capital Assets, net	 <u>\$ 60,343,828</u>	 <u>\$ (1,935,867)</u>	 <u>\$ 674,305</u>	 <u>\$ 57,733,656</u>

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

Governmental Activities:	
General Government Support	\$ 170,110
Public Safety	637,910
Transportation	1,956,265
Culture and Recreation	808,022
Home and Community Services	<u>680,440</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 4,252,747</u>
Business-Type Activities:	
Water Fund	\$ 766,447
Electric Fund	<u>2,972,067</u>
 Total Depreciation Expense - Business-Type Activities	 <u>\$ 3,738,514</u>

**Incorporated Village of Freeport, New York**

Notes to Financial Statements (Continued)

February 28, 2019

**Note 3 - Detailed Notes on All Funds (Continued)**

**E. Accrued Liabilities**

Accrued liabilities at February 28, 2019 were as follows:

	Governmental Activities	Business- Type Activities	Total
Payroll and employee benefits	\$ 645,179	\$ 31,570	\$ 676,749

**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, 2018	New Issues	Redemptions	Balance February 28, 2019
<u>Governmental Funds</u>							
Various public improvements	2/26/2019	5/01/2019	2.50 %	\$ 875,000	\$ 3,180,000	\$ 875,000	\$ 3,180,000
Various public improvements	5/01/2018	5/01/2019	2.75	2,980,000	4,592,500	2,980,000	4,592,500
Total				<u>\$ 3,855,000</u>	<u>\$ 7,772,500</u>	<u>\$ 3,855,000</u>	<u>\$ 7,772,500</u>
<u>Business-type Activities - Water Fund</u>							
Various public improvements	2/26/2019	5/01/2019	2.50 %	\$ -	\$ 135,000	\$ -	\$ 135,000
Various public improvements	5/01/2018	5/01/2019	2.75	1,100,000	-	-	1,100,000
				<u>\$ 1,100,000</u>	<u>\$ 135,000</u>	<u>\$ -</u>	<u>\$ 1,235,000</u>
<u>Business-type Activities - Electric Fund</u>							
Various public improvements	2/26/2019	5/01/2019	2.50	\$ -	\$ 150,000	\$ -	\$ 150,000

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 \$58,479 were recorded in the fund financial statements in the General Fund and in the government-wide financial statements for governmental activities. Interest expense of \$28,936 and was recorded in the Water Fund and in the government-wide financial statements for business-type activities.

**Incorporated Village of Freeport, New York**

Notes to Financial Statements (Continued)  
February 28, 2019

**Note 3 - Detailed Notes on All Funds (Continued)**

**G. Long-Term Liabilities**

The following table summarizes changes in the Village's long-term indebtedness for the year ended February 28, 2019:

	Balance, as Reported March 1, 2018	Cumulative Effect of Change in Accounting Principle *	Balance March 1, 2018, as Restated	New Issues/ Additions	Maturities and/or Payments	Balance February 28, 2019	Due Within One-Year
<b>Governmental Activities:</b>							
General obligation bonds payable:							
Capital Construction	\$ 35,442,225	\$ -	\$ 35,442,225	\$ -	\$ 5,763,249	\$ 29,678,976	\$ 4,081,387
Judgments and Claims	5,895,000	-	5,895,000	-	289,114	5,605,886	362,990
	41,337,225	-	41,337,225	-	6,052,363	35,284,862	4,444,377
Unamortized premium on bonds	1,622,365	-	1,622,365	-	172,038	1,450,327	-
	42,959,590	-	42,959,590	-	6,224,401	36,735,189	4,444,377
Bond anticipation notes payable	1,680,000	-	1,680,000	2,690,000	1,680,000	2,690,000	2,690,000
Claims payable	7,765,343	-	7,765,343	1,208,438	2,528,460	6,445,321	644,000
Tax certiorari payable	1,253,067	-	1,253,067	404,552	1,253,067	404,552	69,291
Compensated absences	22,124,382	-	22,124,382	2,272,715	2,212,000	22,185,097	2,218,000
Pension obligations	3,906,786	-	3,906,786	-	616,064	3,290,722	637,099
Net pension liability	11,535,247	-	11,535,247	-	6,338,524	5,196,723	-
Total pension liability - Length of service award program	11,356,932	-	11,356,932	-	472,053	10,884,879	-
Other post employment benefit obligations payable	58,014,298	64,126,399	122,140,697	4,026,752	3,820,905	122,346,544	-
<b>Governmental Activities Long-Term Liabilities</b>	<b>\$ 160,595,645</b>	<b>\$ 64,126,399</b>	<b>\$ 224,722,044</b>	<b>\$ 10,602,457</b>	<b>\$ 25,145,474</b>	<b>\$ 210,179,027</b>	<b>\$ 10,702,767</b>
<b>Business-Type Activities:</b>							
Bonds payable	\$ 53,658,278	\$ -	\$ 53,658,278	\$ -	\$ 5,053,136	\$ 48,605,142	\$ 3,785,623
Unamortized premium on bonds	2,564,229	-	2,564,229	-	206,110	2,358,119	-
	56,222,507	-	56,222,507	-	5,259,246	50,963,261	3,785,623
Compensated absences	3,296,829	-	3,296,829	343,776	329,000	3,311,605	331,000
Pension obligations	1,369,800	-	1,369,800	-	224,270	1,145,530	232,094
Net pension liability	3,120,541	-	3,120,541	-	2,069,192	1,051,349	-
Other post employment benefit obligations payable	17,243,011	23,718,014	40,961,025	723,009	1,199,435	40,484,599	-
<b>Business - Type Activities Long-Term Liabilities</b>	<b>\$ 81,252,688</b>	<b>\$ 23,718,014</b>	<b>\$ 104,970,702</b>	<b>\$ 1,066,785</b>	<b>\$ 9,081,143</b>	<b>\$ 96,956,344</b>	<b>\$ 4,348,717</b>

\*See Note 2C.

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, pension obligations, net pension liability, total pension liability and other post employment benefit obligations is satisfied by the General Fund or the appropriate Proprietary Fund.

**Incorporated Village of Freeport, New York**

Notes to Financial Statements (Continued)  
February 28, 2019

**Note 3 - Detailed Notes on All Funds (Continued)**

**General Obligation Bonds Payable**

General obligation bonds payable at February 28, 2019 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	3.000-3.625 %	\$ 1,560,000	\$ 395,000	\$ -	\$ 1,955,000
2011 Series B - Refunding	2011	8,350,000	06/01/2024	2.250-4.000	2,331,090	902,986	715,924	3,950,000
2012 Series A - Refunding	2012	48,680,000	01/15/2032	3.000-5.000	-	-	35,990,000	35,990,000
2013 Series A	2013	5,965,000	05/01/2022	2.000	2,840,000	-	-	2,840,000
2014 Series A	2014	6,925,000	05/02/2028	2.000-3.000	4,235,000	790,000	-	5,025,000
2014 Series A - Refunding	2014	8,490,000	05/03/2024	2.000-5.000	1,830,150	374,850	-	2,205,000
2015 Series A - Refunding	2015	8,390,000	02/28/2026	1.400-4.000	3,026,436	2,863,043	175,521	6,065,000
2016 Series A - Refunding	2016	13,730,000	05/01/2028	2.000-5.000	9,682,557	625,309	3,327,134	13,635,000
2016 Series B - Refunding	2016	1,350,000	05/01/2023	1.450-2.250	-	-	1,260,000	1,260,000
2017 Series A	2017	11,530,500	11/01/2031	2.125-3.000	9,779,629	163,089	1,022,286	10,965,004
					<u>\$ 35,284,862</u>	<u>\$ 6,114,277</u>	<u>\$ 42,490,865</u>	<u>\$ 83,890,004</u>

Interest expenditures/expense of \$3,135,058 was recorded in the fund financial statements, as detailed below. Interest expense of \$1,058,946 was recorded in the government-wide financial statements for governmental activities.

Fund	Amount
Governmental Funds - General	\$ 1,261,001
Proprietary Funds	
Water	181,515
Electric	1,692,542
	<u>\$ 3,135,058</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, 2018	New Issues	Redemptions	Balance February 28, 2019
Tax certiorari/claims and judgments	2/26/2019	5/01/2019	2.75 %	<u>\$ 1,680,000</u>	<u>\$ 2,690,000</u>	<u>\$ 1,680,000</u>	<u>\$ 2,690,000</u>

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.

Interest expenditures/expense of \$30,076 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 28, 2019

**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 28, 2019, including interest payments of \$16,387,624 are as follows:

Year Ending February 28,	Governmental Activities			
	Bonds Payable		Bond Anticipation Notes Payable	
	Principal	Interest	Principal	Interest
2020	\$ 4,444,377	\$ 982,091	\$ 2,690,000	\$ 73,975
2021	4,566,980	860,751	-	-
2022	4,693,323	731,867	-	-
2023	4,819,170	594,750	-	-
2024	3,437,784	466,252	-	-
2025-2029	10,736,735	982,465	-	-
2030-2032	2,586,493	115,764	-	-
	<u>\$ 35,284,862</u>	<u>\$ 4,733,940</u>	<u>\$ 2,690,000</u>	<u>\$ 73,975</u>

Year Ending February 28,	Business-Type Activities			
	Water Fund		Electric Fund	
	Bonds Payable		Bonds Payable	
	Principal	Interest	Principal	Interest
2020	\$ 889,729	\$ 164,201	\$ 2,895,894	\$ 1,603,595
2021	906,536	141,889	3,026,484	1,477,350
2022	932,778	116,782	3,168,899	1,344,320
2023	955,006	89,753	3,320,825	1,206,563
2024	755,540	64,566	3,486,675	1,059,013
2025-2029	1,631,554	71,178	16,221,713	3,480,251
2030-2032	43,134	1,927	10,370,375	758,321
	<u>\$ 6,114,277</u>	<u>\$ 650,296</u>	<u>\$ 42,490,865</u>	<u>\$ 10,929,413</u>

**Total**

Year Ending February 28,	Principal	Interest
2020	\$ 10,920,000	\$ 2,823,862
2021	8,500,000	2,479,990
2022	8,795,000	2,192,969
2023	9,095,001	1,891,066
2024	7,679,999	1,589,831
2025-2029	28,590,002	4,533,894
2030-2032	13,000,002	876,012
	<u>\$ 86,580,004</u>	<u>\$ 16,387,624</u>

**Incorporated Village of Freeport, New York**

Notes to Financial Statements (Continued)

February 28, 2019

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**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	
	2019	2018	2019	2018
Balance - Beginning of Year	\$ 6,367,554	\$ 8,024,387	\$ 1,397,789	\$ 1,169,551
Provision for Claims and Claims Adjustment Expenses	(72,013)	(300,399)	1,280,451	1,211,120
Claims and Claims Adjustment Expenses Paid	<u>(1,224,997)</u>	<u>(1,356,434)</u>	<u>(1,303,463)</u>	<u>(982,882)</u>
Balance - End of Year	<u>\$ 5,070,544</u>	<u>\$ 6,367,554</u>	<u>\$ 1,374,777</u>	<u>\$ 1,397,789</u>
Due Within One Year	<u>\$ 507,000</u>	<u>\$ 637,000</u>	<u>\$ 137,000</u>	<u>\$ 139,000</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 \$404,552 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 28, 2019

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**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 28, 2019, the value of accumulated vacation time and sick leave for governmental and business-type activities was \$25,496,702.

**Pension Obligations**

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	\$ 26,656	\$ 57,376	\$ 27,988
2012 ERS	810,977	85,225	275,334	88,421
2012 PFRS	473,278	49,736	160,681	51,601
2013 ERS	1,066,045	107,803	464,537	111,037
2013 PFRS	745,692	75,407	324,942	77,670
2014 ERS	1,498,544	146,393	816,605	151,765
2014 PFRS	1,247,658	121,883	679,889	126,356
2015 ERS	658,090	62,569	419,046	64,540
2015 PFRS	689,872	65,591	439,284	67,657
2016 ERS	596,628	54,905	436,982	56,668
2016 PFRS	362,126	33,325	265,227	34,395
2017 PFRS	117,786	10,841	96,349	11,095
	<u>\$ 8,486,023</u>	<u>\$ 840,334</u>	<u>\$ 4,436,252</u>	<u>\$ 869,193</u>

**Incorporated Village of Freeport, New York**

Notes to Financial Statements (Continued)

February 28, 2019

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**Note 3 - Detailed Notes on All Funds (Continued)**

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

<u>Fund</u>	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
General	\$ 259,280	\$ 356,784	\$ 616,064
Water	42,021	-	42,021
Electric	182,249	-	182,249
	<u>\$ 483,550</u>	<u>\$ 356,784</u>	<u>\$ 840,334</u>

**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](http://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 2019 are as follows:

	<u>Tier/Plan</u>	<u>Rate</u>
ERS	2 75I	19.6 %
	3 A14	15.8
	4 A15	15.8
	5 A15	13.0
	6 A15	9.3

**Incorporated Village of Freeport, New York**

Notes to Financial Statements (Continued)  
February 28, 2019

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**Note 3 - Detailed Notes on All Funds (Continued)**

	<u>Tier/Plan</u>	<u>Rate</u>
PFRS	2 384E	24.7 %
	5 384E	20.1/23.6
	6 384E	15.0

At February 28, 2019, 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, 2018	March 31, 2018
Net pension liability	\$ 2,291,019	\$ 3,957,053
Village's proportion of the net pension liability	0.070986%	0.391494%
Change in proportion since the prior measurement date	(0.000620%)	0.009009%

The net pension liability was measured as of March 31, 2018 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 28, 2019, the Village recognized pension expense in the government-wide financial statements of \$2,388,827 for ERS and \$4,221,912 for PFRS. Pension expenditures of \$2,825,877 for ERS and \$3,920,165 for PFRS were recorded in the fund financial statements and were charged to the following funds:

	<u>ERS</u>	<u>PFRS</u>
General Fund	\$ 1,572,345	\$ 3,920,165
Enterprise Fund - Water	179,390	-
Enterprise Fund - Electric	1,074,142	-
	<u>\$ 2,825,877</u>	<u>\$ 3,920,165</u>

**Incorporated Village of Freeport, New York**

Notes to Financial Statements (Continued)  
February 28, 2019

**Note 3 - Detailed Notes on All Funds (Continued)**

At February 28, 2019, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	ERS - Governmental Activities		ERS - Business-type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 442,150	\$ 365,377	\$ 374,982	\$ 309,871
Changes of assumptions	822,004	-	697,131	-
Net difference between projected and actual earnings on pension plan investments	1,800,523	3,554,052	1,527,001	3,014,147
Changes in proportion and differences between Village contributions and proportionate share of contributions	12,512	131,017	10,611	111,114
Village contributions subsequent to the measurement date	1,320,078	-	1,119,541	-
	<u>\$ 4,397,267</u>	<u>\$ 4,050,446</u>	<u>\$ 3,729,266</u>	<u>\$ 3,435,132</u>

	PFRS - Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,628,683	\$ 1,051,480
Changes of assumptions	2,998,184	-
Net difference between projected and actual earnings on pension plan investments	3,202,770	6,450,206
Changes in proportion and differences between Village contributions and proportionate share of contributions	1,466,940	3,613
Village contributions subsequent to the measurement date	3,588,483	-
	<u>\$ 12,885,060</u>	<u>\$ 7,505,299</u>

\$2,439,619 and \$3,588,483 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, 2019. 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	ERS	PFRS
	Governmental Activities	Business-type Activities	Governmental Activities
2019	\$ 198,472	\$ 168,321	\$ 1,253,416
2020	183,927	155,987	1,162,967
2021	(922,732)	(782,558)	(524,368)
2022	(432,924)	(367,157)	(367,930)
2023	-	-	267,193
Thereafter	-	-	-

**Incorporated Village of Freeport, New York**

Notes to Financial Statements (Continued)  
February 28, 2019

**Note 3 - Detailed Notes on All Funds (Continued)**

The total pension liability for the March 31, 2018 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:

	<u>ERS</u>	<u>PFRS</u>
Measurement date	March 31, 2018	March 31, 2018
Actuarial valuation date	April 1, 2017	April 1, 2017
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.

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%.

**Incorporated Village of Freeport, New York**

Notes to Financial Statements (Continued)  
February 28, 2019

**Note 3 - Detailed Notes on All Funds (Continued)**

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:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Governmental Activities proportionate share of the ERS net pension liability (asset)	<u>\$ 9,379,682</u>	<u>\$ 1,239,670</u>	<u>\$ (5,646,454)</u>
Business-type Activities proportionate share of the ERS net pension liability (asset)	<u>\$ 7,954,789</u>	<u>\$ 1,051,349</u>	<u>\$ (4,788,685)</u>
Governmental Activities proportionate share of the PFRS net pension liability (asset)	<u>\$ 19,382,717</u>	<u>\$ 3,957,053</u>	<u>\$ (8,981,460)</u>

The components of the collective net pension liability as of the March 31, 2018 measurement date were as follows:

	ERS	PFRS	Total
Total pension liability	\$ 183,400,590,000	\$ 32,914,423,000	\$ 216,315,013,000
Fiduciary net position	<u>180,173,145,000</u>	<u>31,903,666,000</u>	<u>212,076,811,000</u>
Employers' net pension liability	<u>\$ 3,227,445,000</u>	<u>\$ 1,010,757,000</u>	<u>\$ 4,238,202,000</u>
Fiduciary net position as a percentage of total pension liability	<u>98.24%</u>	<u>96.93%</u>	<u>98.04%</u>

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 31<sup>st</sup>. Retirement contributions as of February 28, 2019 represent the employer contribution for the period of April 1, 2018 through February 28, 2019 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

**Incorporated Village of Freeport, New York**

Notes to Financial Statements (Continued)  
February 28, 2019

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**Note 3 - Detailed Notes on All Funds (Continued)**

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 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, 2018 measurement date, the following participants were covered by the benefit terms.

Inactive participants currently receiving benefits payments	65
Inactive participants entitled to but not yet receiving benefits payments	111
Active participants	<u>244</u>
Total	<u><u>420</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, 2018 measurement date was determined using an actuarial valuation as of that date.

**Incorporated Village of Freeport, New York**

Notes to Financial Statements (Continued)  
February 28, 2019

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**Note 3 - Detailed Notes on All Funds (Continued)**

The total pension liability in the December 31, 2018 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 3.64%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018. 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.

The Village's change in the total pension liability for the Program's year ended December 31, 2018 is as follows:

Total Pension Liability - Beginning of Period	\$ 11,356,932
Service cost	268,143
Interest	362,130
Changes of assumptions or other inputs	(826,583)
Differences between expected and actual experience	54,763
Benefit payments	<u>(330,506)</u>
Total Pension Liability - End of Period	<u><u>\$ 10,884,879</u></u>

The following presents the total pension liability of the Village as of the December 31, 2018 measurement date, calculated using the discount rate of 3.64%, 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 (2.64%) or 1-percentage point higher (4.64%) than the current rate:

	1% Decrease (2.64%)	Current Assumption (3.64%)	1% Increase (4.64%)
Total Pension Liability	<u>\$ 12,708,653</u>	<u>\$ 10,884,879</u>	<u>\$ 9,407,717</u>

For the year ended February 28, 2019, the Village recognized fire service award pension expenditures of \$497,104 in the General Fund and fire service award expense of \$603,712 in the government-wide financial statements. At February 28, 2019, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Incorporated Village of Freeport, New York**

Notes to Financial Statements (Continued)  
February 28, 2019

**Note 3 - Detailed Notes on All Funds (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 63,964	\$ -
Changes of assumptions or other inputs	773,294	756,534
Benefit payments and administrative expenses subsequent to the measurement date	112,051	-
	<u>\$ 949,309</u>	<u>\$ 756,534</u>

\$112,051 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 pension liability in the year ended December 31, 2019.

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 February 28,		
2020	\$	14,912
2021		14,912
2022		14,912
2023		14,912
2024		14,912
Thereafter		6,164

**Other Post Employment Benefit Obligations ("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 28, 2019, the following employees were covered by the benefit terms:

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

**Incorporated Village of Freeport, New York**

Notes to Financial Statements (Continued)  
February 28, 2019

**Note 3 - Detailed Notes on All Funds (Continued)**

The Village's total OPEB liability of \$162,831,143 (\$122,346,544 for governmental activities and \$40,484,599 for business-type activities) was measured as of February 28, 2019, and was determined by an actuarial valuation as of March 1, 2018.

The total OPEB liability in the March 1, 2018 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	4.19%
Healthcare cost trend rates	7.50% for 2019, 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.

Mortality rates were based on the projection scale MP 2017.

The actuarial assumptions used in the March 1, 2018 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 28, 2019 is as follows:

	Governmental Activities	Business-type Activities			Total Primary Government
		Water Fund	Electric Fund	Total	
Total OPEB Liability - Beginning of Year, as restated	\$ 122,140,697	\$ 7,601,504	\$ 33,359,521	\$ 40,961,025	\$ 163,101,722
Service cost	5,485,270	244,809	1,147,616	1,392,425	6,877,695
Interest	4,840,743	297,848	1,309,889	1,607,737	6,448,480
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	-	-	-	-	-
Changes in assumptions or other inputs	(6,299,261)	(456,867)	(1,820,286)	(2,277,153)	(8,576,414)
Benefit payments	(3,820,905)	(222,111)	(977,324)	(1,199,435)	(5,020,340)
Total OPEB Liability - End of Year	<u>\$ 122,346,544</u>	<u>\$ 7,465,183</u>	<u>\$ 33,019,416</u>	<u>\$ 40,484,599</u>	<u>\$ 162,831,143</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 (3.19%) or 1 percentage point higher (5.19%) than the current discount rate:

	1% Decrease (3.19%)	Current Assumption (4.19%)	1% Increase (5.19%)
Total OPEB Liability	<u>\$ 190,114,501</u>	<u>\$ 162,831,143</u>	<u>\$ 141,076,360</u>

**Incorporated Village of Freeport, New York**

Notes to Financial Statements (Continued)  
February 28, 2019

**Note 3 - Detailed Notes on All Funds (Continued)**

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 (6.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Total OPEB Liability	<u>\$ 137,547,296</u>	<u>\$ 162,831,143</u>	<u>\$ 195,585,315</u>

For the year ended February 28, 2019, the Village recognized OPEB expense of \$12,073,928 in the government-wide financial statements. At February 28, 2019, 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
Changes of assumptions or other inputs	\$ -	\$ 7,324,167
Differences between expected and actual experience	-	-
	<u>\$ -</u>	<u>\$ 7,324,167</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 28,	
2020	\$ (1,252,247)
2021	(1,252,247)
2022	(1,252,247)
2023	(1,252,247)
2024	(1,250,222)
Thereafter	(1,064,957)

**Incorporated Village of Freeport, New York**

Notes to Financial Statements (Continued)  
February 28, 2019

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**Note 3 - Detailed Notes on All Funds (Continued)**

**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 28, 2019 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	\$ -	\$ 367,500	\$ 367,500
Capital Projects Fund	383,622	-	383,622
Water Fund	379,557	-	379,557
	<u>\$ 763,179</u>	<u>\$ 367,500</u>	<u>\$ 1,130,679</u>

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 28, 2019

**Note 3 - Detailed Notes on All Funds (Continued)**

**J. Fund Balances**

	2019			2018		
	General Fund	Capital Projects Fund	Total	General Fund	Capital Projects Fund	Total
<b>Nonspendable:</b>						
Inventories	\$ 351,724	\$ -	\$ 351,724	\$ 337,485	\$ -	\$ 337,485
Prepaid expenditures	472,936	-	472,936	464,086	-	464,086
<b>Total Nonspendable</b>	<b>824,660</b>	<b>-</b>	<b>824,660</b>	<b>801,571</b>	<b>-</b>	<b>801,571</b>
<b>Restricted:</b>						
Debt service	122,579	-	122,579	423,235	-	423,235
Debt service - for subsequent year's expenditures	373,061	-	373,061	159,743	-	159,743
Pension benefits	5,685,175	-	5,685,175	5,961,144	-	5,961,144
Capital projects	-	-	-	-	1,223,919	1,223,919
<b>Total Restricted</b>	<b>6,180,815</b>	<b>-</b>	<b>6,180,815</b>	<b>6,544,122</b>	<b>1,223,919</b>	<b>7,768,041</b>
<b>Assigned -</b>						
Purchases on order - General government support	39,020	-	39,020	38,358	-	38,358
<b>Unassigned</b>	<b>8,262,743</b>	<b>(1,484,362)</b>	<b>6,778,381</b>	<b>8,053,322</b>	<b>-</b>	<b>8,053,322</b>
<b>Total Fund Balances (Deficits)</b>	<b>\$ 15,307,238</b>	<b>\$ (1,484,362)</b>	<b>\$ 13,822,876</b>	<b>\$ 15,437,373</b>	<b>\$ 1,223,919</b>	<b>\$ 16,661,292</b>

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

Notes to Financial Statements (Continued)

February 28, 2019

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### **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 28, 2019, 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 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.

**Note 4 - Summary Disclosure of Significant Contingencies (Continued)**

The Village is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The Village maintains commercial insurance for property damage up to a maximum of approximately \$63.95 million for the Electric 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 also maintains commercial workers' compensation insurance benefits with a \$1 million per occurrence and per employee policy limit, subject to retention of \$1 million to \$1.25 million per occurrence and per claim, up to a maximum of \$50 million. 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 28, 2019 were \$5,070,544 and \$1,374,777, 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.

## Incorporated Village of Freeport, New York

Notes to Financial Statements (Concluded)  
February 28, 2019

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### **Note 5 - Tax Abatements (Continued)**

Copies of the agreements may be obtained from the Village. Information relevant to disclosure of these agreements for the fiscal year ended February 28, 2019 is as follows:

<u>Agreement</u>	<u>Taxable Assessed Value</u>	<u>Tax Rate</u>	<u>Tax Value</u>	<u>PILOT Received</u>	<u>Taxes Abated</u>
Town of Hempstead IDA C/O Whaley Realty II LLC 27 Saint Johns PL Freeport, NY 11520-4606	\$ 36,537	\$ 0.62	\$ 22,761	\$ 22,761	\$ -
EAS Commercial ST LLC	69,208	0.62	43,114	43,114	-
Town of Hempstead IDA C/O North Shore Linen INC	59,935	0.62	37,338	37,338	-
Colombia 72 Albany Realty	79,907	0.62	49,779	49,779	-
Freeport Housing Authority	59,078	0.62	36,803	37,288	(485)
Village of Freeport - Water	2,321,943	0.62	1,446,478	112,747	1,333,731
Village of Freeport - Electric	4,151,680	0.62	2,586,331	1,344,150	1,242,181
	<u>6,033,375</u>	<u>0.62</u>	<u>3,758,551</u>	<u>3,747,000</u>	<u>11,551</u>
	<u>\$ 12,811,663</u>		<u>\$ 7,981,155</u>	<u>\$ 5,394,177</u>	<u>\$ 2,586,978</u>

### **Note 6 - Subsequent Events**

The Village, on April 30, 2019, issued \$5,880,000 in serial bonds for public improvements. The bonds mature annually through 2037 with interest rates ranging from 1.5% to 3.0%, depending on maturity.

The Village, on April 30, 2019, issued \$3,394,000 of bond anticipation notes with interest rates ranging from 2.5% to 2.75% and maturing on April 30, 2020.

The Village, on April 30, 2019, issued \$1,010,000 of bond anticipation notes with interest at 2.89% and maturing on April 30, 2020.

The Village, on July 31, 2019, issued \$4,397,000 of bond anticipation notes with interest at 2.00% and maturing on April 30, 2020.

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## 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)

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	<u>2019</u>
Total OPEB Liability:	
Service cost	\$ 6,877,695
Interest	6,448,480
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	(8,576,414)
Benefit payments	<u>(5,020,340)</u>
Net Change in Total OPEB Liability	(270,579)
Total OPEB Liability – Beginning of Year	<u>163,101,722</u> (3)
Total OPEB Liability – End of Year	<u>\$ 162,831,143</u>
Village's covered-employee payroll	<u>\$ 38,117,463</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>427.18%</u>

#### Notes to Schedule:

(1) Data not available prior to fiscal year 2019 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.

**Incorporated Village of Freeport, New York**

Required Supplementary Information - Schedule of the  
 Village's Proportionate Share of the Net Pension Liability  
 New York State and Local Employees' Retirement System  
 Last Ten Fiscal Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017 (2)</u>	<u>2016</u>
Village's proportion of the net pension liability	<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>\$ 2,291,019</u>	<u>\$ 6,728,204</u>	<u>\$ 11,572,857</u>	<u>\$ 2,420,522</u>
Village's covered payroll	<u>\$ 18,492,000</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>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>98.24%</u>	<u>90.70%</u>	<u>90.70%</u>	<u>97.90%</u>

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

(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 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.

**Incorporated Village of Freeport, New York**

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 2,691,932	\$ 2,800,344	\$ 3,180,439	\$ 3,023,543
Contributions in relation to the contractually required contribution	<u>(2,691,932)</u>	<u>(2,800,344)</u>	<u>(3,180,439)</u>	<u>(3,023,543)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village's covered payroll	<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>14.53%</u>	<u>15.33%</u>	<u>17.61%</u>	<u>16.87%</u>

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

**Incorporated Village of Freeport, New York**

Required Supplementary Information - Schedule of the  
 Village's Proportionate Share of the Net Pension Liability  
 New York State and Local Police and Fire Retirement System  
 Last Ten Fiscal Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017 (2)</u>	<u>2016</u>
Village's proportion of the net pension liability	<u>0.3914940%</u>	<u>0.3824851%</u>	<u>0.3836998%</u>	<u>0.3546445%</u>
Village's proportionate share of the net pension liability	<u>\$ 3,957,053</u>	<u>\$ 7,927,584</u>	<u>\$ 11,360,534</u>	<u>\$ 976,193</u>
Village's covered payroll	<u>\$ 17,531,177</u>	<u>\$ 16,878,617</u>	<u>\$ 15,775,052</u>	<u>\$ 14,896,653</u>
Village's proportionate share of the net pension liability as a percentage of its covered payroll	<u>22.57%</u>	<u>46.97%</u>	<u>72.02%</u>	<u>6.55%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>96.93%</u>	<u>93.50%</u>	<u>90.20%</u>	<u>99.00%</u>

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

(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 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.

**Incorporated Village of Freeport, New York**

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

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

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

## 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)

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

\*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%

(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.

N/A - Not applicable.

**Incorporated Village of Freeport, New York**

General Fund  
 Combining Balance Sheet - Sub-Funds  
 February 28, 2019  
 (With Comparative Totals for 2018)

	General	Fire Service Awards Program	Totals	
			2019	2018
<b>ASSETS</b>				
Cash and equivalents	\$ 3,002,680	\$ -	\$ 3,002,680	\$ 1,979,126
Investments	4,880,577	5,660,570	10,541,147	11,501,126
Taxes receivable	644,806	-	644,806	783,897
Other receivables				
Accounts, net	1,142,141	24,605	1,166,746	913,569
State and Federal aid	276,991	-	276,991	276,400
Due from other funds	3,735,070	-	3,735,070	3,732,744
Due from other governments	259,135	-	259,135	212,891
	5,413,337	24,605	5,437,942	5,135,604
Inventories	351,724	-	351,724	337,485
Prepaid expenditures	472,936	-	472,936	464,086
Total Assets	<u>\$ 14,766,060</u>	<u>\$ 5,685,175</u>	<u>\$ 20,451,235</u>	<u>\$ 20,201,324</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 2,764,806	\$ -	\$ 2,764,806	\$ 2,209,832
Accrued liabilities	645,179	-	645,179	811,109
Due to other funds	1,068,307	-	1,068,307	1,092,396
Due to other governments	11,609	-	11,609	11,101
Unearned revenues	33,867	-	33,867	45,720
Total Liabilities	4,523,768	-	4,523,768	4,170,158
Deferred inflows of resources				
Deferred tax revenues	620,229	-	620,229	593,793
Total Liabilities and Deferred Inflows of Resources	5,143,997	-	5,143,997	4,763,951
Fund balances				
Nonspendable	824,660	-	824,660	801,571
Restricted	495,640	5,685,175	6,180,815	6,544,122
Assigned	39,020	-	39,020	38,358
Unassigned	8,262,743	-	8,262,743	8,053,322
Total Fund Balances	9,622,063	5,685,175	15,307,238	15,437,373
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 14,766,060</u>	<u>\$ 5,685,175</u>	<u>\$ 20,451,235</u>	<u>\$ 20,201,324</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 28, 2019  
 (With Comparative Totals for 2018)

	General	Fire Service Awards Program	Eliminations	Totals	
				2019	2018
<b>REVENUES</b>					
Real property taxes	\$ 42,872,956	\$ -	\$ -	\$ 42,872,956	\$ 42,004,464
Other tax items	5,750,878	-	-	5,750,878	5,706,695
Non-property taxes	1,208,410	-	-	1,208,410	1,052,887
Departmental income	8,094,244	192,000	(192,000)	8,094,244	7,372,236
Intergovernmental revenues	6,500	-	-	6,500	6,500
Interfund revenues	1,176,310	-	-	1,176,310	1,102,176
Use of money and property	1,576,253	188,286	-	1,764,539	1,560,696
Net change in fair value of investments	-	(159,151)	-	(159,151)	435,717
Licenses and permits	1,801,708	-	-	1,801,708	2,350,929
Fines and forfeitures	4,212,382	-	-	4,212,382	3,469,021
Sale of property and compensation for loss	32,963	-	-	32,963	26,911
State aid	1,535,479	-	-	1,535,479	1,938,330
Federal aid	236,613	-	-	236,613	214,190
Miscellaneous	95,791	-	-	95,791	30,527
<b>Total Revenues</b>	<b>68,600,487</b>	<b>221,135</b>	<b>(192,000)</b>	<b>68,629,622</b>	<b>67,271,279</b>
<b>EXPENDITURES</b>					
Current					
General government support	11,005,344	-	-	11,005,344	11,075,877
Public safety	22,546,858	-	-	22,546,858	21,776,380
Health	2,417	-	-	2,417	2,258
Transportation	2,180,348	-	-	2,180,348	2,344,993
Economic opportunity and development	155,211	-	-	155,211	154,178
Culture and recreation	3,471,637	-	-	3,471,637	3,346,326
Home and community services	3,718,640	-	-	3,718,640	3,539,226
Employee benefits	19,777,798	497,104	(192,000)	20,082,902	19,507,658
Debt service					
Principal	7,732,363	-	-	7,732,363	11,851,838
Interest	1,349,556	-	-	1,349,556	1,314,393
<b>Total Expenditures</b>	<b>71,940,172</b>	<b>497,104</b>	<b>(192,000)</b>	<b>72,245,276</b>	<b>74,913,127</b>
Deficiency of Revenues Over Expenditures	(3,339,685)	(275,969)	-	(3,615,654)	(7,641,848)
<b>OTHER FINANCING SOURCES (USES)</b>					
Insurance recoveries	399,840	-	-	399,840	548,780
Sale of real property	-	-	-	-	365,000
Bond anticipation notes issued	2,690,000	-	-	2,690,000	1,680,000
Bonds issued	-	-	-	-	5,895,000
Transfers in	763,179	-	-	763,179	1,287,795
Transfers out	(367,500)	-	-	(367,500)	(1,460,000)
<b>Total Other Financing Sources</b>	<b>3,485,519</b>	<b>-</b>	<b>-</b>	<b>3,485,519</b>	<b>8,316,575</b>
<b>Net Change in Fund Balances</b>	<b>145,834</b>	<b>(275,969)</b>	<b>-</b>	<b>(130,135)</b>	<b>674,727</b>
<b>FUND BALANCES</b>					
Beginning of Year	9,476,229	5,961,144	-	15,437,373	14,762,646
End of Year	\$ 9,622,063	\$ 5,685,175	\$ -	\$ 15,307,238	\$ 15,437,373

**Incorporated Village of Freeport, New York**

General Fund  
 Comparative Balance Sheet - Sub-Fund  
 February 28,

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and equivalents	\$ 3,002,680	\$ 1,979,126
Investments	4,880,577	5,543,546
Taxes receivable	644,806	783,897
Other receivables		
Accounts	1,142,141	910,005
State and Federal aid	276,991	276,400
Due from other funds	3,735,070	3,732,744
Due from other governments	259,135	212,891
	<u>5,413,337</u>	<u>5,132,040</u>
Inventories	351,724	337,485
Prepaid expenditures	472,936	464,086
Total Assets	<u>\$ 14,766,060</u>	<u>\$ 14,240,180</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 2,764,806	\$ 2,209,832
Accrued liabilities	645,179	811,109
Due to other funds	1,068,307	1,092,396
Due to other governments	11,609	11,101
Unearned revenues	33,867	45,720
Total Liabilities	4,523,768	4,170,158
Deferred inflows of resources		
Deferred tax revenues	620,229	593,793
Total Liabilities and Deferred Inflows of Resources	<u>5,143,997</u>	<u>4,763,951</u>
Fund balance		
Nonspendable	824,660	801,571
Restricted	495,640	582,978
Assigned	39,020	38,358
Unassigned	8,262,743	8,053,322
Total Fund Balance	<u>9,622,063</u>	<u>9,476,229</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 14,766,060</u>	<u>\$ 14,240,180</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 28,

	2019			
	Original Budget (1)	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Real property taxes	\$ 43,318,724	\$ 43,318,724	\$ 42,872,956	\$ (445,768)
Other tax items	5,744,760	5,744,760	5,750,878	6,118
Non-property taxes	1,050,000	1,050,000	1,208,410	158,410
Departmental income	7,977,790	8,012,790	8,094,244	81,454
Intergovernmental revenues	6,500	6,500	6,500	-
Interfund revenues	1,600,000	1,600,000	1,176,310	(423,690)
Use of money and property	1,350,150	1,350,150	1,576,253	226,103
Licenses and permits	3,381,300	3,381,300	1,801,708	(1,579,592)
Fines and forfeitures	3,740,000	3,740,000	4,212,382	472,382
Sale of property and compensation for loss	32,000	32,000	32,963	963
State aid	1,336,311	1,385,311	1,535,479	150,168
Federal aid	171,000	266,400	236,613	(29,787)
Miscellaneous	75,200	75,200	95,791	20,591
<b>Total Revenues</b>	<b>69,783,735</b>	<b>69,963,135</b>	<b>68,600,487</b>	<b>(1,362,648)</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
General government support	12,490,877	11,979,595	11,005,344	974,251
Public safety	22,900,459	23,092,008	22,546,858	545,150
Health	3,350	3,350	2,417	933
Transportation	2,352,709	2,340,209	2,180,348	159,861
Economic opportunity and development	243,920	243,920	155,211	88,709
Culture and recreation	3,582,721	3,647,354	3,471,637	175,717
Home and community services	4,020,027	4,031,027	3,718,640	312,387
Employee benefits	19,549,445	19,895,945	19,777,798	118,147
<b>Debt service</b>				
Principal	6,052,364	7,732,364	7,732,363	1
Interest	1,354,464	1,354,464	1,349,556	4,908
<b>Total Expenditures</b>	<b>72,550,336</b>	<b>74,320,236</b>	<b>71,940,172</b>	<b>2,380,064</b>
<b>Deficiency of Revenues Over Expenditures</b>	<b>(2,766,601)</b>	<b>(4,357,101)</b>	<b>(3,339,685)</b>	<b>1,017,416</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recoveries	540,000	553,000	399,840	(153,160)
Sale of real property	500,000	500,000	-	(500,000)
Bond anticipation notes issued	1,260,000	2,940,000	2,690,000	(250,000)
Bonds issued	-	-	-	-
Transfers in	533,500	533,500	763,179	229,679
Transfers out	(265,000)	(367,500)	(367,500)	-
<b>Total Other Financing Sources</b>	<b>2,568,500</b>	<b>4,159,000</b>	<b>3,485,519</b>	<b>(673,481)</b>
<b>Net Change in Fund Balance</b>	<b>(198,101)</b>	<b>(198,101)</b>	<b>145,834</b>	<b>343,935</b>
<b>FUND BALANCE</b>				
Beginning of Year	198,101	198,101	9,476,229	9,278,128
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,622,063</u>	<u>\$ 9,622,063</u>

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

(2) Includes prior year encumbrances of \$86,323

See independent auditors' report.

2018

Original Budget (2)	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 41,934,831	\$ 41,934,831	\$ 42,004,464	\$ 69,633
7,313,212	7,313,212	5,706,695	(1,606,517)
1,079,000	1,079,000	1,052,887	(26,113)
7,309,090	7,321,590	7,372,236	50,646
6,500	6,500	6,500	-
1,463,000	1,463,000	1,102,176	(360,824)
1,280,852	1,280,852	1,413,561	132,709
2,012,250	2,012,250	2,350,929	338,679
3,870,000	3,870,000	3,469,021	(400,979)
34,400	34,400	26,911	(7,489)
1,363,311	1,363,311	1,938,330	575,019
21,000	38,350	214,190	175,840
175,200	175,200	30,527	(144,673)
<u>67,862,646</u>	<u>67,892,496</u>	<u>66,688,427</u>	<u>(1,204,069)</u>
11,723,757	12,156,457	11,075,877	1,080,580
22,601,927	22,564,677	21,776,380	788,297
3,350	3,350	2,258	1,092
2,471,108	2,461,608	2,344,993	116,615
236,171	250,071	154,178	95,893
3,407,326	3,483,126	3,346,326	136,800
4,004,518	4,005,218	3,539,226	465,992
18,947,208	19,730,708	19,560,269	170,439
6,749,686	11,999,686	11,851,838	147,848
1,360,181	1,360,181	1,314,393	45,788
<u>71,505,232</u>	<u>78,015,082</u>	<u>74,965,738</u>	<u>3,049,344</u>
<u>(3,642,586)</u>	<u>(10,122,586)</u>	<u>(8,277,311)</u>	<u>1,845,275</u>
200,000	450,000	548,780	98,780
1,800,000	1,800,000	365,000	(1,435,000)
1,250,000	2,230,000	1,680,000	(550,000)
-	5,895,000	5,895,000	-
101,063	916,063	1,287,795	371,732
-	(1,460,000)	(1,460,000)	-
<u>3,351,063</u>	<u>9,831,063</u>	<u>8,316,575</u>	<u>(1,514,488)</u>
(291,523)	(291,523)	39,264	330,787
<u>291,523</u>	<u>291,523</u>	<u>9,436,965</u>	<u>9,145,442</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,476,229</u>	<u>\$ 9,476,229</u>

**Incorporated Village of Freeport, New York**

General Fund  
 Schedule of Revenues and Other Financing Sources Compared to Budget - Sub-Fund  
 Year Ended February 28, 2019  
 (With Comparative Actuals for 2018)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2018 Actual
<b>REAL PROPERTY TAXES</b>	\$ 43,318,724	\$ 43,318,724	\$ 42,872,956	\$ (445,768)	\$ 42,004,464
<b>OTHER TAX ITEMS</b>					
Interest and penalties on real property taxes	370,000	370,000	356,701	(13,299)	328,507
Payments in lieu of taxes	5,374,760	5,374,760	5,394,177	19,417	5,378,188
	5,744,760	5,744,760	5,750,878	6,118	5,706,695
<b>NON-PROPERTY TAXES</b>					
Non-property tax distribution from County	-	-	119,088	119,088	-
Utilities gross receipts tax	1,050,000	1,050,000	1,089,322	39,322	1,052,887
	1,050,000	1,050,000	1,208,410	158,410	1,052,887
<b>DEPARTMENTAL INCOME</b>					
Treasurer fees	4,000	4,000	13,695	9,695	7,956
Clerks fees	1,500	1,500	1,646	146	1,522
Attorney fees	35,000	35,000	39,909	4,909	39,409
Fire Department fees	30,000	30,000	22,908	(7,092)	29,516
Safety inspection fees	12,000	12,000	11,161	(839)	10,332
Public Works fees	85,000	85,000	135,553	50,553	107,945
Parking fees	273,700	273,700	261,567	(12,133)	271,341
Parking meter fees - non taxable	140,000	140,000	134,946	(5,054)	142,740
Parks and recreation fees	2,206,900	2,241,900	2,287,162	45,262	2,171,229
Zoning and Appeals Board fees	25,000	25,000	43,210	18,210	42,807
Planning Board fees	20,000	20,000	17,800	(2,200)	23,375
Garbage fees	4,715,190	4,715,190	4,724,660	9,470	4,487,188
Sewer rent	427,000	427,000	397,452	(29,548)	34,683
Board of Architectural Review fees	2,500	2,500	2,575	75	2,193
	7,977,790	8,012,790	8,094,244	81,454	7,372,236
<b>INTERGOVERNMENTAL REVENUES</b>					
Fire protection	6,500	6,500	6,500	-	6,500

<b>INTERFUND REVENUES</b>	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,176,310</u>	<u>(423,690)</u>	<u>1,102,176</u>
<b>USE OF MONEY AND PROPERTY</b>					
Interest earnings	120,000	120,000	326,391	206,391	158,681
Rental income	<u>1,230,150</u>	<u>1,230,150</u>	<u>1,249,862</u>	<u>19,712</u>	<u>1,254,880</u>
	<u>1,350,150</u>	<u>1,350,150</u>	<u>1,576,253</u>	<u>226,103</u>	<u>1,413,561</u>
<b>LICENSES AND PERMITS</b>					
Occupational licenses	165,000	165,000	156,940	(8,060)	165,340
Building permits	2,171,000	2,171,000	463,729	(1,707,271)	1,088,532
Other permits	960,300	960,300	1,074,199	113,899	998,317
Parking permits	<u>85,000</u>	<u>85,000</u>	<u>106,840</u>	<u>21,840</u>	<u>98,740</u>
	<u>3,381,300</u>	<u>3,381,300</u>	<u>1,801,708</u>	<u>(1,579,592)</u>	<u>2,350,929</u>
<b>FINES AND FORFEITURES</b>					
Justice court fines	<u>3,740,000</u>	<u>3,740,000</u>	<u>4,212,382</u>	<u>472,382</u>	<u>3,469,021</u>
<b>SALE OF PROPERTY AND COMPENSATION FOR LOSS</b>					
Minor sales	<u>32,000</u>	<u>32,000</u>	<u>32,963</u>	<u>963</u>	<u>26,911</u>
<b>STATE AID</b>					
Per capita	901,311	901,311	901,311	-	901,311
Mortgage tax	400,000	400,000	544,122	144,122	537,645
Emergency Management Agency	-	-	8,663	8,663	377,016
Public safety	<u>35,000</u>	<u>84,000</u>	<u>81,383</u>	<u>(2,617)</u>	<u>122,358</u>
	<u>1,336,311</u>	<u>1,385,311</u>	<u>1,535,479</u>	<u>150,168</u>	<u>1,938,330</u>
<b>FEDERAL AID</b>					
Emergency Management Agency	-	-	51,978	51,978	107,407
Community Development Block Grant	171,000	266,400	178,138	(88,262)	87,411
Bullet Proof Vest Partnership Program	-	-	6,497	6,497	19,372
	<u>171,000</u>	<u>266,400</u>	<u>236,613</u>	<u>(29,787)</u>	<u>214,190</u>
<b>MISCELLANEOUS</b>					
Refunds of prior year's expenditures	75,000	75,000	73,459	(1,541)	19,848
Other	<u>200</u>	<u>200</u>	<u>22,332</u>	<u>22,132</u>	<u>10,679</u>
	<u>75,200</u>	<u>75,200</u>	<u>95,791</u>	<u>20,591</u>	<u>30,527</u>
<b>TOTAL REVENUES</b>	<u>69,783,735</u>	<u>69,963,135</u>	<u>68,600,487</u>	<u>(1,362,648)</u>	<u>66,688,427</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 28, 2019

(With Comparative Actuals for 2018)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2018 Actual
<b>OTHER FINANCING SOURCES</b>					
Insurance recoveries	\$ 540,000	\$ 553,000	\$ 399,840	\$ (153,160)	\$ 548,780
Sale of real property	500,000	500,000	-	(500,000)	365,000
Bond anticipation notes issued	1,260,000	2,940,000	2,690,000	(250,000)	1,680,000
Bonds issued	-	-	-	-	5,895,000
Transfers in					
Water Fund	-	-	379,557	379,557	360,824
Capital Projects Fund	533,500	533,500	383,622	(149,878)	926,971
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>2,833,500</u>	<u>4,526,500</u>	<u>3,853,019</u>	<u>(673,481)</u>	<u>9,776,575</u>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<u>\$ 72,617,235</u>	<u>\$ 74,489,635</u>	<u>\$ 72,453,506</u>	<u>\$ (2,036,129)</u>	<u>\$ 76,465,002</u>

**Incorporated Village of Freeport, New York**

General Fund

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

Year Ended February 28, 2019

(With Comparative Actuals for 2018)

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2018 Actual
<b>GENERAL GOVERNMENT SUPPORT</b>					
Village Board	\$ 106,774	\$ 106,774	\$ 86,095	\$ 20,679	\$ 81,650
Village Justices	1,420,624	1,382,266	1,364,737	17,529	1,054,808
Mayor	335,395	335,395	223,185	112,210	223,239
Comptroller	330,229	330,229	324,624	5,605	298,159
Audit	123,754	125,254	90,740	34,514	142,844
Treasurer	393,386	393,385	331,092	62,293	378,216
Purchasing	380,258	270,258	241,305	28,953	297,311
Assessor	264,581	263,081	239,191	23,890	218,232
Village Clerk	432,124	431,624	390,240	41,384	396,402
Attorney	812,670	812,670	703,871	108,799	726,781
Human resources	513,501	513,501	508,333	5,168	460,868
Elections	2,100	2,600	1,546	1,054	53,494
Public works	1,289,543	1,329,943	1,303,713	26,230	1,114,357
Public works administration	463,607	447,107	419,111	27,996	441,950
Buildings department	382,271	384,771	374,058	10,713	366,599
Central garage	903,042	920,955	915,084	5,871	966,851
Central data processing	776,018	777,282	641,069	136,213	665,426
Unallocated insurance	460,000	460,000	452,892	7,108	416,921
Human services	10,000	10,000	7,111	2,889	7,111
Judgments and claims	1,250,000	1,261,500	984,284	277,216	1,684,740
Property loss	700,000	1,305,000	1,303,463	1,537	982,882
Taxes and assessment on property	116,000	116,000	99,600	16,400	97,036
Contingency	1,025,000	-	-	-	-
	<u>12,490,877</u>	<u>11,979,595</u>	<u>11,005,344</u>	<u>974,251</u>	<u>11,075,877</u>

**PUBLIC SAFETY**

Police	20,231,119	20,237,455	19,908,627	328,828	19,249,212
Traffic control	71,597	73,097	69,531	3,566	71,215
On-Street parking	84,778	86,278	85,777	501	96,102
Fire	1,150,038	1,161,751	1,035,936	125,815	1,094,187
Control of animals	200	200	-	200	-
Safety inspection	1,236,973	1,407,473	1,334,734	72,739	1,158,163
Other	125,754	125,754	112,253	13,501	107,501
	<u>22,900,459</u>	<u>23,092,008</u>	<u>22,546,858</u>	<u>545,150</u>	<u>21,776,380</u>

**HEALTH**

Nursing services	<u>3,350</u>	<u>3,350</u>	<u>2,417</u>	<u>933</u>	<u>2,258</u>
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**TRANSPORTATION**

Administration	2,800	2,800	2,760	40	3,261
Maintenance of streets	695,299	675,299	559,579	115,720	695,725
Snow removal	174,300	114,800	72,000	42,800	149,684
Street lighting	1,440,310	1,502,310	1,501,876	434	1,465,848
Facilities maintenance	40,000	45,000	44,133	867	30,475
	<u>2,352,709</u>	<u>2,340,209</u>	<u>2,180,348</u>	<u>159,861</u>	<u>2,344,993</u>

**ECONOMIC OPPORTUNITY AND DEVELOPMENT**

Publicity	191,039	191,039	118,347	72,692	125,134
Materials and supplies	52,881	52,881	36,864	16,017	29,044
	<u>243,920</u>	<u>243,920</u>	<u>155,211</u>	<u>88,709</u>	<u>154,178</u>

**CULTURE AND RECREATION**

Community center	2,973,383	3,046,326	3,015,740	30,586	2,901,903
Arts Council	20,000	20,000	20,000	-	20,000
Library	40,750	44,940	25,073	19,867	29,817
Recreation	1,400	1,400	1,400	-	1,405
Tennis	48,000	48,000	27,212	20,788	2,839
Playgrounds	499,188	486,688	382,212	104,476	390,362
	<u>3,582,721</u>	<u>3,647,354</u>	<u>3,471,637</u>	<u>175,717</u>	<u>3,346,326</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 28, 2019

(With Comparative Actuals for 2018)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2018 Actual
<b>HOME AND COMMUNITY SERVICES</b>					
Zoning	\$ 15,800	\$ 15,800	\$ 12,549	\$ 3,251	\$ 8,313
Planning	19,300	19,300	16,716	2,584	14,129
Sewer administration	1,200	1,200	610	590	2,136
Sanitary sewers	255,668	260,668	258,022	2,646	241,410
Refuse and garbage	3,589,880	3,589,880	3,290,533	299,347	3,168,027
Drainage	102,079	108,079	104,323	3,756	73,886
Composting	11,100	11,100	10,887	213	6,325
Other	25,000	25,000	25,000	-	25,000
	<u>4,020,027</u>	<u>4,031,027</u>	<u>3,718,640</u>	<u>312,387</u>	<u>3,539,226</u>
<b>EMPLOYEE BENEFITS</b>					
State retirement	6,195,000	6,195,000	6,108,574	86,426	6,168,241
Social security	1,956,000	1,956,000	1,951,093	4,907	1,908,717
Workers' compensation benefits	900,060	1,225,060	1,224,997	63	1,356,434
Unemployment benefits	10,000	10,000	3,689	6,311	17,143
Hospital and medical insurance	10,111,000	10,161,750	10,158,919	2,831	9,570,419
Union welfare benefits	75,000	16,750	-	16,750	-
Length of service award contributions	192,000	192,000	192,000	-	381,875
Other	110,385	139,385	138,526	859	157,440
	<u>19,549,445</u>	<u>19,895,945</u>	<u>19,777,798</u>	<u>118,147</u>	<u>19,560,269</u>
<b>DEBT SERVICE</b>					
Principal					
Serial bonds	6,052,364	6,052,364	6,052,363	1	5,556,838
Bond anticipation notes	-	1,680,000	1,680,000	-	6,295,000
	<u>6,052,364</u>	<u>7,732,364</u>	<u>7,732,363</u>	<u>1</u>	<u>11,851,838</u>

Interest					
Serial bonds	1,261,002	1,261,002	1,261,001	1	1,086,563
Bond anticipation notes	<u>93,462</u>	<u>93,462</u>	<u>88,555</u>	<u>4,907</u>	<u>227,830</u>
	<u>1,354,464</u>	<u>1,354,464</u>	<u>1,349,556</u>	<u>4,908</u>	<u>1,314,393</u>
	<u>7,406,828</u>	<u>9,086,828</u>	<u>9,081,919</u>	<u>4,909</u>	<u>13,166,231</u>
<b>TOTAL EXPENDITURES</b>	<u>72,550,336</u>	<u>74,320,236</u>	<u>71,940,172</u>	<u>2,380,064</u>	<u>74,965,738</u>
<b>OTHER FINANCING USES</b>					
Transfers out					
Capital Projects Fund	<u>265,000</u>	<u>367,500</u>	<u>367,500</u>	<u>-</u>	<u>1,460,000</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ 72,815,336</u>	<u>\$ 74,687,736</u>	<u>\$ 72,307,672</u>	<u>\$ 2,380,064</u>	<u>\$ 76,425,738</u>

**Incorporated Village of Freeport, New York**

Capital Projects Fund  
Comparative Balance Sheet  
February 28,

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and equivalents	\$ 144,896	\$ 295,046
Investments	<u>5,508,945</u>	<u>5,053,092</u>
Receivables		
State and Federal aid	981,965	271,875
Due from other funds	<u>840,385</u>	<u>839,270</u>
	<u>1,822,350</u>	<u>1,111,145</u>
Total Assets	<u>\$ 7,476,191</u>	<u>\$ 6,459,283</u>
<b>LIABILITIES AND FUND BALANCE (DEFICIT)</b>		
Liabilities		
Accounts payable	\$ 461,473	\$ 909,531
Due to other funds	726,580	470,833
Bond anticipation notes payable	<u>7,772,500</u>	<u>3,855,000</u>
Total Liabilities	<u>8,960,553</u>	<u>5,235,364</u>
Fund balance (deficit)		
Restricted	-	1,223,919
Unassigned	<u>(1,484,362)</u>	<u>-</u>
Total Fund Balance (Deficit)	<u>(1,484,362)</u>	<u>1,223,919</u>
Total Liabilities and Fund Balance (Deficit)	<u>\$ 7,476,191</u>	<u>\$ 6,459,283</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 28,

	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>		
State aid	\$ 1,170,736	\$ 253,535
Federal aid	211,883	59,900
Miscellaneous	<u>32,560</u>	<u>-</u>
Total Revenues	1,415,179	313,435
<b>EXPENDITURES</b>		
Capital outlay	<u>4,107,338</u>	<u>2,102,880</u>
Deficiency of Revenues Over Expenditures	<u>(2,692,159)</u>	<u>(1,789,445)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Bonds issued	-	4,389,000
Transfers in	367,500	1,460,000
Transfers out	<u>(383,622)</u>	<u>(926,971)</u>
Total Other Financing Sources (Uses)	<u>(16,122)</u>	<u>4,922,029</u>
Net Change in Fund Balance	(2,708,281)	3,132,584
<b>FUND BALANCE (DEFICIT)</b>		
Beginning of Year	<u>1,223,919</u>	<u>(1,908,665)</u>
End of Year	<u>\$ (1,484,362)</u>	<u>\$ 1,223,919</u>

See independent auditors' report.

**Incorporated Village of Freeport, New York**Enterprise Fund - Water Fund  
Comparative Statement of Net Position  
February 28,

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Current assets		
Cash and equivalents	\$ 193,411	\$ 93,337
Investments	597,030	1,715,485
Accounts receivable	2,698,850	2,897,336
Due from other funds	501,258	499,328
Inventories	79,986	61,258
Prepaid expenses	16,063	19,503
Total Current Assets	<u>4,086,598</u>	<u>5,286,247</u>
Non-current assets		
Costs to be recovered from future revenues	7,871,918	3,539,482
Non depreciable capital assets	85,981	85,981
Depreciable capital assets, net of accumulated depreciation	<u>16,326,599</u>	<u>16,714,294</u>
Total Non-Current Assets	<u>24,284,498</u>	<u>20,339,757</u>
Total Assets	<u>28,371,096</u>	<u>25,626,004</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amounts on refunding bonds	109,271	133,292
Deferred amounts on net pension liabilities	<u>588,361</u>	<u>548,730</u>
Total Deferred Outflows of Resources	<u>697,632</u>	<u>682,022</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	221,637	830,306
Accrued interest payable	66,995	64,760
Accrued liabilities	31,570	26,309
Due to other funds	394,315	218,170
Bond anticipation notes payable	<u>1,235,000</u>	<u>1,100,000</u>
Total Current Liabilities	<u>1,949,517</u>	<u>2,239,545</u>
Non-current liabilities		
Due within one year	964,215	1,272,383
Due in more than one year	<u>13,484,622</u>	<u>10,969,258</u>
Total Non-Current Liabilities	<u>14,448,837</u>	<u>12,241,641</u>
Total Liabilities	<u>16,398,354</u>	<u>14,481,186</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred amounts on net pension liabilities	541,956	108,896
Deferred amounts on other post employment benefits	<u>406,735</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>948,691</u>	<u>108,896</u>
<b>NET POSITION</b>		
Net investment in capital assets	8,991,360	8,315,577
Unrestricted	<u>2,730,323</u>	<u>3,402,367</u>
Total Net Position	<u>\$ 11,721,683</u>	<u>\$ 11,717,944</u>

See independent auditors' report.

**Incorporated Village of Freeport, New York**

Enterprise Fund - Water Fund  
Comparative Statement of Revenues, Expenses and  
Changes in Net Position  
Years Ended February 28,

	<u>2019</u>	<u>2018</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 6,373,521	\$ 6,669,601
Interest and penalties	<u>439,503</u>	<u>456,607</u>
Total Operating Revenues	<u>6,813,024</u>	<u>7,126,208</u>
<b>OPERATING EXPENSES</b>		
Power and pumping	2,127,584	2,099,439
Transmission and distribution services	251,408	248,937
Administrative and general	2,023,979	2,206,750
Depreciation	766,447	757,624
Charges in lieu of taxes	<u>1,344,150</u>	<u>1,344,150</u>
Total Operating Expenses	<u>6,513,568</u>	<u>6,656,900</u>
Income from Operations	<u>299,456</u>	<u>469,308</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	23,877	18,168
Interest expense	(210,451)	(227,271)
Costs to be recovered from future revenues	<u>270,414</u>	<u>372,736</u>
Total Non-Operating Revenues	<u>83,840</u>	<u>163,633</u>
Income Before Transfers	383,296	632,941
Transfers Out	<u>(379,557)</u>	<u>(360,824)</u>
Change in Net Position	3,739	272,117
<b>NET POSITION</b>		
Beginning of Year	<u>11,717,944</u>	<u>11,445,827</u>
End of Year	<u>\$ 11,721,683</u>	<u>\$ 11,717,944</u>

See independent auditors' report.

**Incorporated Village of Freeport, New York**

Enterprise Fund - Water Fund  
 Comparative Statement of Cash Flows  
 Years Ended February 28,

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from charges for services	\$ 7,011,510	\$ 7,206,802
Cash payments for goods, services and compensation	(4,855,760)	(3,537,884)
Cash payments for interfund services used	<u>(1,168,005)</u>	<u>(1,360,935)</u>
Net Cash From Operating Activities	<u>987,745</u>	<u>2,307,983</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal paid on bonds	(1,196,361)	(1,174,185)
Bonds issued	-	171,500
Principal paid on bond anticipation notes	-	(181,500)
Bond anticipation notes issued	135,000	1,100,000
Interest paid on indebtedness	(210,333)	(228,664)
Acquisition and construction of capital assets	(378,752)	(809,098)
Transfers out	<u>(379,557)</u>	<u>(360,824)</u>
Net Cash From Capital and Related Financing Activities	<u>(2,030,003)</u>	<u>(1,482,771)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	-	(1,040,997)
Sale of investments	1,118,455	-
Interest income	<u>23,877</u>	<u>18,168</u>
Net Cash From Investing Activities	<u>1,142,332</u>	<u>(1,022,829)</u>
Net Change in Cash and Equivalents	100,074	(197,617)
<b>CASH AND EQUIVALENTS</b>		
Beginning of Year	<u>93,337</u>	<u>290,954</u>
End of Year	<u>\$ 193,411</u>	<u>\$ 93,337</u>
<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES</b>		
Income from operations	\$ 299,456	\$ 469,308
Adjustments to reconcile income from operations to net cash from operating activities		
Depreciation	766,447	757,624
Changes in operating assets and liabilities		
Accounts receivable	198,486	80,594
Due from other funds	(1,930)	5,355
Inventories	(18,728)	22,881
Prepaid expenses	3,440	1,082
Accounts payable	(608,669)	560,573
Accrued liabilities	5,261	8,640
Due to other funds	176,145	(16,785)
Pension obligations	(42,021)	(40,604)
Compensated absences	(35,174)	804
Net pension liabilities, net of deferred amounts	(25,382)	85,775
Other post employment benefit obligations payable, net of deferred amounts	<u>270,414</u>	<u>372,736</u>
Net Cash from Operating Activities	<u>\$ 987,745</u>	<u>\$ 2,307,983</u>

**Incorporated Village of Freeport, New York**

Enterprise Fund - Electric Fund  
 Comparative Statement of Net Position  
 February 28,

	2019	2018
<b>ASSETS</b>		
Current assets		
Cash and equivalents	\$ 1,654,657	\$ 1,834,060
Investments	3,712,169	4,172,528
Accounts receivable	5,055,074	5,393,498
Due from other funds	376,218	373,235
Inventories	2,348,900	2,288,486
Prepaid expenses	107,379	106,254
<b>Total Current Assets</b>	<b>13,254,397</b>	<b>14,168,061</b>
Non-current assets		
Costs to be recovered from future revenues	34,535,984	13,703,529
Regulatory deposit	435,635	329,923
Non depreciable capital assets	500,575	753,811
Depreciable capital assets, net of accumulated depreciation	57,233,081	59,590,017
<b>Total Non-Current Assets</b>	<b>92,705,275</b>	<b>74,377,280</b>
<b>Total Assets</b>	<b>105,959,672</b>	<b>88,545,341</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amounts on refunding bonds	1,646,083	1,793,986
Deferred amounts on net pension liabilities	3,140,905	2,379,937
<b>Total Deferred Outflows of Resources</b>	<b>4,786,988</b>	<b>4,173,923</b>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	1,177,190	1,365,839
Accrued interest payable	240,502	290,659
Due to other funds	3,263,729	3,663,178
Customer deposits	1,433,309	1,407,880
Regulatory liabilities	3,719,311	5,041,734
Bond anticipation notes payable	150,000	-
Unearned revenues	229,241	229,241
<b>Total Current Liabilities</b>	<b>10,213,282</b>	<b>11,998,531</b>
Non-current liabilities		
Due within one year	3,384,502	4,334,028
Due in more than one year	79,123,005	64,677,019
<b>Total Non-Current Liabilities</b>	<b>82,507,507</b>	<b>69,011,047</b>
<b>Total Liabilities</b>	<b>92,720,789</b>	<b>81,009,578</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred amounts on net pension liabilities	2,893,176	472,298
Deferred amounts on other post employment benefits	1,516,568	-
<b>Total Deferred Inflows of Resources</b>	<b>4,409,744</b>	<b>472,298</b>
<b>NET POSITION</b>		
Net investment in capital assets	14,561,969	13,433,297
Unrestricted	(945,842)	(2,195,909)
<b>Total Net Position</b>	<b>\$ 13,616,127</b>	<b>\$ 11,237,388</b>

See independent auditors' report.

**Incorporated Village of Freeport, New York**Enterprise Fund - Electric Fund  
Comparative Statement of Revenues, Expenses and  
Changes in Net Position  
Years Ended February 28,

	<u>2019</u>	<u>2018</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 33,463,809	\$ 32,626,054
Federal aid	680,865	-
Miscellaneous	<u>2,277,447</u>	<u>274,545</u>
Total Operating Revenues	<u>36,422,121</u>	<u>32,900,599</u>
<b>OPERATING EXPENSES</b>		
Power generation	14,159,308	14,153,580
Transmission and distribution services	1,568,392	1,520,547
Street lighting and signal system	218,521	189,064
Customer counting and collection	826,891	890,280
Administrative and general	10,037,252	9,388,132
Depreciation	2,972,067	2,964,085
Charges in lieu of taxes	3,747,000	3,747,000
Miscellaneous	<u>89,612</u>	<u>82,576</u>
Total Operating Expenses	<u>33,619,043</u>	<u>32,935,264</u>
Income (Loss) from Operations	<u>2,803,078</u>	<u>(34,665)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	91,740	43,152
Interest expense	(1,692,542)	(1,869,935)
Costs to be recovered from future revenues	<u>1,176,463</u>	<u>1,456,015</u>
Total Non-Operating Expenses	<u>(424,339)</u>	<u>(370,768)</u>
Change in Net Position	2,378,739	(405,433)
<b>NET POSITION</b>		
Beginning of Year	<u>11,237,388</u>	<u>11,642,821</u>
End Year	<u>\$ 13,616,127</u>	<u>\$ 11,237,388</u>

See independent auditors' report.

**Incorporated Village of Freeport, New York**

Enterprise Fund - Electric Fund  
 Comparative Statement of Cash Flows  
 Year Ended February 28,

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from charges for services	\$ 33,525,266	\$ 29,507,416
Cash received from federal aid	680,865	-
Cash received from interfund services provided	2,576,860	2,580,787
Cash payments for goods, services and compensation	(27,524,606)	(26,302,855)
Cash payments for interfund services used	(4,146,449)	(2,152,574)
	<u>5,111,936</u>	<u>3,632,774</u>
Net Cash From Operating Activities		
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal paid on bonds	(3,856,775)	(3,628,977)
Bonds issued	-	1,075,000
Principal paid on bond anticipation notes	-	(1,115,000)
Bond anticipation notes issued	150,000	-
Interest paid on indebtedness	(1,774,768)	(1,922,306)
Acquisition and construction of capital assets	(434,061)	(1,020,177)
Loss on disposal of capital assets	72,166	140,538
	<u>(5,843,438)</u>	<u>(6,470,922)</u>
Net Cash From Capital and Related Financing Activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of investments	460,359	1,564,893
Interest income	91,740	43,152
	<u>552,099</u>	<u>1,608,045</u>
Net Cash From Investing Activities		
Net Change in Cash and Equivalents	(179,403)	(1,230,103)
<b>CASH AND EQUIVALENTS</b>		
Beginning of Year	1,834,060	3,064,163
End of Year	<u>\$ 1,654,657</u>	<u>\$ 1,834,060</u>
<b>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES</b>		
Income (loss) from operations	\$ 2,803,078	\$ (34,665)
Adjustments to reconcile income (loss) from operations to net cash from operating activities		
Depreciation	2,972,067	2,964,085
Changes in operating assets and liabilities		
Accounts receivable	338,424	(928,185)
Due from other funds	(2,983)	93,278
Inventories	(60,414)	357,960
Prepaid expenses	(1,125)	8,050
Regulatory deposit	(105,712)	(289,903)
Accounts payable	(188,649)	(51,477)
Due to other funds	(399,449)	1,594,426
Due to other governments	-	(132,867)
Customer deposits	25,429	22,511
Regulatory liabilities	(1,322,423)	(1,685,156)
Pension obligations	(182,249)	(176,112)
Compensated absences	49,950	62,801
Net pension liabilities, net of deferred amounts	9,529	372,013
Other post employment benefit obligations payable, net of deferred amounts	1,176,463	1,456,015
	<u>\$ 5,111,936</u>	<u>\$ 3,632,774</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 28, 2019, 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 20, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

## **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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*PKF O'Connor Davies, LLP*

**PKF O'Connor Davies, LLP**

Harrison, New York

December 20, 2019



**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 28, 2019. 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 28, 2019.

### **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 20, 2019

**Village of Freeport, New York**

Schedule of Expenditures of Federal Awards  
Year Ended February 28, 2019

<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		\$ -	\$ 309,621
<i>CDBG - Disaster Recovery Grants - Public Law No. 113-2/Cluster</i> Hurricane Sandy Community Development Block Grant Disaster Recovery	14.269		-	761,265
Total U.S Department of Housing and Urban Development				1,070,886
<u>U.S. Department of Environmental Protection</u>				
Direct Program:				
<i>Clean Water State Revolving Fund Cluster</i> Disaster Relief Appropriations (DRAA) Hurricane Sandy Capitalization Grants for Clean Water State Revolving Funds	66.482		-	51,978
<u>U.S. Department of Justice</u>				
Direct Program				
Bulletproof Vest Partnership Program	16.607		-	6,497
Total Expenditures of Federal Awards			\$ -	\$ 1,129,361

(1) Catalog of Federal Domestic Assistance number

The accompanying notes are an integral part of this schedule.

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

Notes to Schedule of Expenditures of Federal Awards  
Year Ended February 28, 2019

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### **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 28, 2019. 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. 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 28, 2019

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**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 28, 2019

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**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 28, 2019

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None