



Incorporated Village of Freeport, New York

Financial Report
February 29, 2024

Incorporated Village of Freeport, New York

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Contents

	Page
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-13
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	16
Reconciliation of the Total Fund Balances Shown in the Governmental Funds to the Statement of Net Position.....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Change in Net Position Shown in the Statement of Activities.....	19
Statement of Net Position - Proprietary Funds	20-21
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds.....	22
Statement of Cash Flows - Proprietary Funds.....	23-24
Statement of Fiduciary Net Position - Fiduciary Fund	25
Statement of Changes in Fiduciary Net Position - Fiduciary Fund.....	26
Notes to Financial Statements	27-66
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	67
Notes to the Budgetary Comparison Schedule - General Fund.....	68
Schedule of Other Postemployment Benefits Liability	69
Schedule of Proportionate Share of the Net Pension Asset/Liability	70
Schedule of Pension Contributions	71
Schedule of Length of Service Award Program Liability	72



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Incorporated Village of Freeport, New York (Village), as of and for the year ended February 29, 2024, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Village, as of February 29, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the required supplementary information listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2025 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

BST+Co.CPAs, LLP

Latham, New York
January 23, 2025



Incorporated Village of Freeport, New York

Management's Discussion and Analysis February 29, 2024

As management of the Incorporated Village of Freeport, New York ("Village" or "primary government"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the year ended February 29, 2024. 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 \$147,189,308 at February 29, 2024, an increase in net position of \$6,567,868 from the prior year.
- The Village's governmental activities composed \$6,499,802 of the total increase in net position, while the business-type activities increased net position by \$68,066. Changes in the Village's net pension liability and other postemployment benefits ("OPEB") obligations adversely impacted the governmental activities by \$46,239.
- As of February 29, 2024, the Village's governmental funds reported combined ending fund balances of \$21,866,106. Of this amount, \$7,075,735 is not in spendable form; \$14,771,226 is restricted for debt service, pension benefits, and capital projects; and \$225,585 is appropriated for future expenditures. The remaining \$9,916,581 in the General Fund is unassigned and currently available for spending (see Note 3p). The unassigned deficit in the Capital Projects Fund is attributed to the issuance of bond anticipation notes ("BAN") for capital-related purposes. This deficit will be eliminated in the future through the issuance of long-term debt.
- At year-end, the Village's total fund balance for the General Fund was \$22,916,766, an increase of \$2,510,622 from the prior year. The increase is driven by the sale of real property, which resulted in a gain over the carrying cost of \$14,010,000.
- The Village's total bonded debt (inclusive of general obligation bonds and BANs accounted for as short-term and long-term debt) was \$74,418,661 (exclusive of unamortized premium on bonds), of which \$36,630,720 relates to governmental activities and \$37,787,941 relates to business-type activities.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

Incorporated Village of Freeport, New York

Management's Discussion and Analysis
February 29, 2024

Overview of the Financial Statements - Continued

Government-Wide Financial Statements - Continued

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

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

Governmental activities: The Village's basic services are reported here, including general government support, public safety, health, transportation, economic opportunity and development, culture and recreation, and home and community services. Property taxes, mortgage taxes, payments in lieu of taxes ("PILOT"), sales taxes, franchise fees, fines, and state and federal grants finance these activities. The Village also charges fees to customers to help cover costs of certain services it provides.

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

Fund Financial Statements

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

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

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

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

The Village adopts annual budgets for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with its budget.

Incorporated Village of Freeport, New York

Management's Discussion and Analysis
February 29, 2024

Overview of the Financial Statements - Continued

Fund Financial Statements - Continued

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

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

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

Notes to Financial Statements

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

Government-Wide Financial Analysis

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

	Governmental Activities		Business-Type Activities		Total	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Current and other assets	\$ 37,974,507	\$ 37,493,549	\$ 59,320,999	\$ 64,503,904	\$ 97,295,506	\$ 101,997,453
Noncurrent assets	68,495,431	72,363,509	65,372,973	71,021,808	133,868,404	143,385,317
Total assets	106,469,938	109,857,058	124,693,972	135,525,712	231,163,910	245,382,770
Deferred outflows of resources	72,076,633	78,955,236	20,050,867	20,829,283	92,127,500	99,784,519
Current liabilities	24,062,396	28,260,844	20,427,205	23,431,556	44,489,601	51,692,400
Noncurrent liabilities	218,134,088	174,521,251	72,969,147	66,463,068	291,103,235	240,984,319
Total liabilities	242,196,484	202,782,095	93,396,352	89,894,624	335,592,836	292,676,719
Deferred inflows of resources	106,729,486	162,909,400	28,233,196	43,338,346	134,962,682	206,247,746
Net position						
Net investment in capital assets	26,272,425	22,237,622	27,352,247	26,457,014	53,624,672	48,694,636
Unrestricted	(196,651,824)	(199,116,823)	(4,236,956)	(3,334,989)	(200,888,780)	(202,451,812)
Total net position	\$ (170,379,399)	\$ (176,879,201)	\$ 23,115,291	\$ 23,122,025	\$ (147,264,108)	\$ (153,757,176)

Total assets and deferred outflows of resources of the Village's governmental activities as of February 29, 2024 were \$106,469,935 and \$72,076,633, respectively. Total liabilities and deferred inflows of resources as of February 29, 2024 were \$242,196,484 and \$106,729,484, respectively. This results in a net deficit balance of \$170,379,399 at February 29, 2024, which increases the Village's governmental activities net deficit position by \$6,499,802 compared to the net deficit position at February 28, 2023.

Incorporated Village of Freeport, New York

Management's Discussion and Analysis
February 29, 2024

Government-Wide Financial Analysis - Continued

In fiscal year 2023, the Village reported a net pension asset for its proportionate share of the New York State and Local Employees' Retirement System in the amount of \$3.1 million, whereas this amount is now a noncurrent liability of \$7.6 million. In addition, the New York State and Local Police and Fire Retirement System's net pension liability increased from \$2.7 million to \$26.9 million. The Village's OPEB liability increased by approximately \$14.5 million. The Village's governmental activities net deficit position, \$26,272,425, represents its net investment in capital assets, leaving a \$196,651,824 unrestricted deficit net position. All of the Village's restricted assets are offset by corresponding liabilities.

The deficit balance of unrestricted net position does not necessarily indicate fiscal stress. The deficit balance in unrestricted net position exists primarily due to noncurrent liabilities, which include payments due to employees' retirement systems, compensated absences, OPEB obligations, payments for Length of Service Award Program participants, claims and judgments, tax certiorari payables, BANs and general obligation bonds of which proceeds are used to pay tax certioraris and claims and judgments that will be funded through future budgetary appropriations when they become payable.

Total assets and deferred outflows of resources of the Village's business-type activities as of February 29, 2024 were \$124,768,772 and \$20,050,867, respectively. Total liabilities and deferred inflows of resources as of February 29, 2024 were \$93,396,352 and \$28,233,196, respectively. This results in a net position of \$23,190,091 at February 29, 2024, which increases the Village's business-type activities net position by \$68,066 compared to 2023. Of the Village's business-type activities net position balance, \$27,427,047 represents its net investment in capital assets, leaving \$4,236,956 as unrestricted deficit net position.

The Village's combined net investment in capital assets of \$53,699,472 as of February 29, 2024 reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, intangible assets, and infrastructure), less any related debt used to acquire those assets that remain outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The Village's combined net position increased in the current year primarily due to surpluses in the governmental funds as well as the repayment of long-term debt. The Village's accounting for OPEB, net pension liabilities and the Length of Service Award Program liability adversely impacted its net position by \$183,112,827 as of February 29, 2024.

Incorporated Village of Freeport, New York

Management's Discussion and Analysis February 29, 2024

Government-Wide Financial Analysis - Continued

The analysis below provides detail of the results of operations of the governmental and business-type activities:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	Years Ended		Years Ended		Years Ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
REVENUES						
Program revenues						
Charges for services	\$ 17,968,957	\$ 17,656,253	\$ 46,716,813	\$ 49,881,255	\$ 64,685,770	\$ 67,537,508
Operating grants and contributions	693,012	2,498,692	14,635	342,910	707,647	2,841,602
Capital grants and contributions	1,627,268	2,655,082	1,383,669	-	3,010,937	2,655,082
General revenues						
Real property taxes	43,858,349	43,358,211	-	-	43,858,349	43,358,211
Interest and penalties on real property taxes	178,878	335,387	-	-	178,878	335,387
Payments in lieu of taxes	296,773	287,936	-	-	296,773	287,936
Non-property taxes	1,016,950	1,105,802	-	-	1,016,950	1,105,802
Unrestricted use of money and property	3,642,043	2,144,724	505,943	201,711	4,147,986	2,346,435
Unrestricted state aid	1,357,572	793,853	-	-	1,357,572	793,853
Miscellaneous	357,827	1,974,732	-	-	357,827	1,974,732
Gain on sale of property	14,010,000	-	-	-	14,010,000	-
Transfers	4,191,150	4,391,150	(4,191,150)	(4,391,150)	-	-
Total revenues	<u>89,198,779</u>	<u>77,201,822</u>	<u>44,429,910</u>	<u>46,034,726</u>	<u>133,628,689</u>	<u>123,236,548</u>
EXPENSES						
General government	17,499,524	16,487,209	-	-	17,499,524	16,487,209
Public safety	45,078,481	40,977,674	-	-	45,078,481	40,977,674
Health	4,532	4,135	-	-	4,532	4,135
Transportation	5,167,154	5,123,142	-	-	5,167,154	5,123,142
Economic assistance and opportunity	168,454	192,817	-	-	168,454	192,817
Culture and recreation	6,958,412	6,081,600	-	-	6,958,412	6,081,600
Home and community services	6,584,488	6,109,885	-	-	6,584,488	6,109,885
Interest	1,237,932	810,673	-	-	1,237,932	810,673
Water	-	-	6,210,813	5,228,350	6,210,813	5,228,350
Electric	-	-	38,225,831	40,649,558	38,225,831	40,649,558
Total expenses	<u>82,698,977</u>	<u>75,787,135</u>	<u>44,436,644</u>	<u>45,877,908</u>	<u>127,135,621</u>	<u>121,665,043</u>
Change in net position	6,499,802	1,414,687	(6,734)	156,818	6,493,068	1,571,505
NET POSITION, beginning of year	<u>(176,879,201)</u>	<u>(178,293,888)</u>	<u>23,122,025</u>	<u>22,965,207</u>	<u>(153,757,176)</u>	<u>(155,328,681)</u>
NET POSITION, end of year	<u>\$ (170,379,399)</u>	<u>\$ (176,879,201)</u>	<u>\$ 23,115,291</u>	<u>\$ 23,122,025</u>	<u>\$ (147,264,108)</u>	<u>\$ (153,757,176)</u>

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

- Government-wide program revenues decreased primarily due to a reduction in grant-related revenues.
- Government-wide general revenues increased primarily due to the sale of real property.

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

- Government-wide expenses were relatively consistent with fund-based activity. Increases in payroll, employee benefits and inflationary costs of contractual goods and services increased fund-based expenditures.

Incorporated Village of Freeport, New York

Management's Discussion and Analysis February 29, 2024

Government-Wide Financial Analysis - Continued

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

	Total Costs of Services		Program Revenues		Net Cost of Services	
	Years Ended		Years Ended		Years Ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
General government support	\$ 17,499,524	\$ 16,487,209	\$ 7,253,257	\$ 6,843,291	\$ (10,246,267)	\$ (9,643,918)
Public safety	45,078,481	40,977,674	543,437	4,572,003	(44,535,044)	(36,405,671)
Health	4,532	4,135	-	-	(4,532)	(4,135)
Transportation	5,167,154	5,123,142	1,454,440	2,328,727	(3,712,714)	(2,794,415)
Economic assistance and opportunity	168,454	192,817	-	-	(168,454)	(192,817)
Culture and recreation	6,958,412	6,081,600	3,995,699	2,217,518	(2,962,713)	(3,864,082)
Home and community services	6,584,488	6,109,885	7,042,404	6,848,488	457,916	738,603
Interest	1,237,932	810,673	-	-	(1,237,932)	(810,673)
	<u>\$ 82,698,977</u>	<u>\$ 75,787,135</u>	<u>\$ 20,289,237</u>	<u>\$ 22,810,027</u>	<u>\$ (62,409,740)</u>	<u>\$ (52,977,108)</u>

The cost of the governmental activities totaled \$82,787,584 for the year ended February 29, 2024. The net cost of these services after being subsidized by program revenues of \$20,289,237 is \$62,498,347.

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

	Total Costs of Services		Program Revenues		Net Cost of Services	
	Years Ended		Years Ended		Years Ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Electric	\$ 38,225,831	\$ 40,649,558	\$ 39,749,790	\$ 43,473,778	\$ 1,523,959	\$ 2,824,220
Water	6,210,813	5,228,350	8,365,327	6,750,387	2,154,514	1,522,037
	<u>\$ 44,436,644</u>	<u>\$ 45,877,908</u>	<u>\$ 48,115,117</u>	<u>\$ 50,224,165</u>	<u>\$ 3,678,473</u>	<u>\$ 4,346,257</u>

The cost of the business-type activities totaled \$44,361,844 for the year ended February 29, 2024. The net income of these services after being subsidized by program revenues of \$48,115,117 was \$3,753,273. This income was used to make PILOT payments and other transfers to the General Fund in the amount of \$4,191,150.

Financial Analysis of the Village's Funds

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

Governmental Funds

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

Incorporated Village of Freeport, New York

Management's Discussion and Analysis
February 29, 2024

Financial Analysis of the Village's Funds - Continued

The General Fund is the chief operating fund of the Village. At the end of the current year, unassigned fund balance was \$9,916,581, representing 43.3% of the total General Fund balance of \$22,916,766. Nonspendable fund balance includes interfund advances to the Electric Fund in the amount of \$6,043,191, which are not expected to be repaid within the Village's availability period. Two useful measures of liquidity are the percentage of unassigned fund balance to total expenditures and total fund balance to total expenditures. At the end of the current year, the General Fund showed a 11.65% unassigned fund balance to total expenditures and other financing uses and a 26.9% total fund balance to total expenditures and other financing uses.

At February 29, 2024, the Capital Projects Fund had a deficit balance of \$1,050,660. The fund balance of the Capital Projects Fund increased by \$1,170,788 in comparison to 2023 as a result of timing differences between project expenditures and the recognition of corresponding permanent financing.

Proprietary Funds

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

As of February 29, 2024, the Water Fund's net position was \$12,459,516, an increase of \$1,052,864 in comparison to February 28, 2023. Operating revenues increased by \$167,617 as a result of increased user charges and interest and penalties. Operating expenses also increased by \$796,797 primarily due to contractual increases in salaries and other administrative costs. The nonoperating revenues (expenses), net, improved primarily as a result of higher interest rates paid on cash and investments and state aid of \$1,383,669.

As of February 29, 2024, the Electric Fund's net position was \$10,730,575, a decrease of \$994,798 from the prior year. Operating revenues decreased \$3,913,453 due to lower residential and commercial sales from the prior fiscal year. The decrease in operating expenses of \$1,173,395 was primarily driven by a \$3,584,318 decrease in power generation, offset by higher costs associated with benefits provided to active and retired personnel. The nonoperating revenues (expenses), net, decreased by \$123,011 as a result of federal aid received in 2023.

General Fund Budgetary Highlights

Over the course of the year, the Village's Board of Trustees ("Village Board") reviews and revises the budget as needed so that expenditures do not exceed appropriations. In the General Fund, various transfers between appropriations are approved by the Village Board for this purpose. The final budget is also revised from the original budget for the prior-year encumbrances. Overall, total revenues were \$7,016,877 higher than budgeted amounts almost exclusively due to the gain on sale of property. Other financing sources and uses were \$1,923,317 lower than budget primarily due to increased transfers to the Capital Projects Fund. The net effect of these budget versus actuals resulted in a budgetary surplus of \$2,653,02.

Capital Asset and Debt Administration

Capital Assets

The Village's investment in capital assets for governmental activities and business-type activities at February 29, 2024 was approximately \$52,605,230 and \$65,447,773, respectively. This investment in capital assets includes land, buildings, improvements, machinery and equipment, construction in progress, infrastructure (roads, curbs, sidewalks, drainage, sewer, and water systems), and intangible assets.

Incorporated Village of Freeport, New York

Management's Discussion and Analysis
February 29, 2024

Capital Asset and Debt Administration - Continued

Capital Assets - Continued

During the year ended February 29, 2024, the Village's major capital expenditures were as follows:

Water system improvements	\$	1,442,752
Electric system improvements		2,689,927
General government		433,388
Public safety		505,204
Transportation		420,618
Culture and recreation		1,523,332
Home and community services		306,524
		306,524
	\$	7,321,745

In addition, the Electric Fund received approximately \$3.7 million in Federal Disaster Recovery Grants that were passed through the Governor's Office of Storm Recovery. In accordance with New York State Public Service Commission regulations, these funds were netted against the corresponding expenditures and, therefore, excluded from capital assets.

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

	February 29, 2024	February 28, 2023
Land	\$ 3,986,783	\$ 4,976,783
Construction in progress	804,926	130,891
Buildings	18,798,868	17,071,598
Improvements other than buildings	19,368,719	19,149,595
Machinery and equipment	21,674,136	20,914,499
Intangible assets - software	1,289,184	1,289,184
Infrastructure	87,925,795	87,723,253
Total capital assets, cost	153,848,411	151,255,803
Less accumulated depreciation	101,243,181	97,013,450
Total net governmental activities capital assets	\$ 52,605,230	\$ 54,242,353

Incorporated Village of Freeport, New York

Management's Discussion and Analysis
February 29, 2024

Capital Asset and Debt Administration - Continued

Capital Assets - Continued

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

	February 29, 2024	February 28, 2023
Land	\$ 170,220	\$ 170,220
Construction in progress	1,093,976	3,335,198
Buildings, wells and structures	21,944,946	21,597,719
Improvements other than buildings	2,212,311	2,212,311
Machinery and equipment	112,726,919	110,817,270
Infrastructure	25,217,494	24,213,544
Total capital assets, cost	<u>163,365,866</u>	<u>162,346,262</u>
Less accumulated depreciation	<u>97,918,093</u>	<u>93,925,755</u>
Total net business-type activities capital assets	<u>\$ 65,447,773</u>	<u>\$ 68,420,507</u>

The Village has an informal capital improvement plan that allows for continued improvements to infrastructure, buildings, and equipment. The Village finances most of these improvements with BANs and general obligation bonds.

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

Long-Term Debt

The Village has the power to contract indebtedness for any purpose as long as the principal amount thereof, subject to certain limited exceptions, shall not exceed 7% of the average full valuation of taxable real estate of the Village and is subject to certain enumerated exclusions and deductions, such as the electric plant and water facilities.

The constitutional method for determining full valuation is calculated by taking the assessed valuation of taxable real estate as shown upon the latest completed assessment roll and dividing the same by the equalization rate as determined by the New York State Board of Equalization and Assessment. The New York 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.

Incorporated Village of Freeport, New York

Management's Discussion and Analysis
February 29, 2024

Capital Asset and Debt Administration - Continued

Long-Term Debt - Continued

A summary of activity for outstanding debt for the Village for the year ended February 29, 2024 is as follows:

	Balance March 1, 2023	Increases	Decreases	Balance February 29, 2024
Governmental activities				
BANs	\$ 13,029,190	\$ 11,238,670	\$ 13,029,190	\$ 11,238,670
General obligation bonds*	29,615,239	-	4,223,189	25,392,050
	<u>\$ 42,644,429</u>	<u>\$ 11,238,670</u>	<u>\$ 17,252,379</u>	<u>\$ 36,630,720</u>
Business-type activities				
BANs	\$ 4,385,191	\$ 5,305,000	\$ 4,385,191	\$ 5,305,000
General obligation bonds*	37,276,251	-	4,793,310	32,482,941
	<u>\$ 41,661,442</u>	<u>\$ 5,305,000</u>	<u>\$ 9,178,501</u>	<u>\$ 37,787,941</u>

* Exclusive of related unamortized bond premiums.

Moody's Investors Service has assigned a credit rating of "Aa3" to the Village. Additional information on the Village's debt activity can be found in Notes 3g, 3h and 3i to the financial statements.

Economic Factors and Next Year's Budget and Rates

The Village has adopted a budget for the 2024-2025 fiscal year, which factors in inflation and other adjustments to revenues and expenditures as well as prior-year positive and negative fund balances. The 2024-2025 budget includes an overall decrease in real property tax revenues from the prior year of 0.001% for the Village's governmental activities, which equates to an overall tax rate reduction of 0.14%.

Chapter 97 of the Laws of 2011 (the "Tax Cap Law") was enacted on June 24, 2011 and took effect for the 2012 budget year. The Tax Cap Law limits annual increases in the Village's overall real property tax to 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 60% 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.

Request for Information

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the finances of the Village and to demonstrate the Village's accountability with the money it receives. Questions or additional information regarding this report can be directed to:

Incorporated Village of Freeport
Treasurer's Office
46 North Ocean Avenue
Freeport, New York

Incorporated Village of Freeport, New York

Government-Wide Financial Statements Statement of Net Position

	February 29, 2024		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and equivalents	\$ 2,196,076	\$ 2,242,698	\$ 4,438,774
Investments, unrestricted	3,290,220	9,195,706	12,485,926
Investments, restricted	14,771,226	-	14,771,226
Receivables			
Taxes	1,962,378	-	1,962,378
Accounts receivable, net	536,365	8,081,629	8,617,994
State and federal aid	190,314	-	190,314
Due from other governments	754,609	-	754,609
Internal balances	13,240,775	(13,240,775)	-
Inventories and other assets	1,032,544	3,348,063	4,380,607
Costs to be recovered from future revenues	-	48,881,626	48,881,626
Regulatory deposits	-	812,052	812,052
Leases receivable	15,890,201	-	15,890,201
Capital assets			
Not being depreciated	4,791,709	1,264,196	6,055,905
Being depreciated, net	47,813,521	64,108,777	111,922,298
Total assets	<u>106,469,938</u>	<u>124,693,972</u>	<u>231,163,910</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>72,076,633</u>	<u>20,050,867</u>	<u>92,127,500</u>
LIABILITIES			
Accounts payable	3,861,194	2,951,976	6,813,170
Accrued and other liabilities	865,506	52,914	918,420
Accrued interest payable	504,846	340,636	845,482
Deposits payable	894,936	-	894,936
Customer deposits	-	1,649,347	1,649,347
Regulatory liabilities	-	4,998,564	4,998,564
Bond anticipation notes payable	9,263,670	5,305,000	14,568,670
Noncurrent liabilities			
Due within one year	8,672,244	5,128,768	13,801,012
Due in more than one year	218,134,088	72,969,147	291,103,235
Total liabilities	<u>242,196,484</u>	<u>93,396,352</u>	<u>335,592,836</u>
DEFERRED INFLOWS OF RESOURCES	<u>106,729,486</u>	<u>28,233,196</u>	<u>134,962,682</u>
NET POSITION			
Net investment in capital assets	26,272,425	27,352,247	53,624,672
Unrestricted	(196,651,824)	(4,236,956)	(200,888,780)
Total net position	<u>\$ (170,379,399)</u>	<u>\$ 23,115,291</u>	<u>\$ (147,264,108)</u>

See accompanying Notes to Financial Statements.

Incorporated Village of Freeport, New York

Government-Wide Financial Statements Statement of Activities

Year Ended February 29, 2024

Functions/Programs	Program Revenue				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
General government support	\$ 17,499,524	\$ 7,253,257	\$ -	\$ -	\$ (10,246,267)	\$ -	\$ (10,246,267)
Public safety	45,078,481	342,678	200,759	-	(44,535,044)	-	(44,535,044)
Health	4,532	-	-	-	(4,532)	-	(4,532)
Transportation	5,167,154	204,505	-	1,249,935	(3,712,714)	-	(3,712,714)
Economic opportunity and development	168,454	-	-	-	(168,454)	-	(168,454)
Culture and recreation	6,958,412	3,140,748	477,618	377,333	(2,962,713)	-	(2,962,713)
Home and community services	6,584,488	7,027,769	14,635	-	457,916	-	457,916
Interest	1,237,932	-	-	-	(1,237,932)	-	(1,237,932)
Total governmental activities	<u>82,698,977</u>	<u>17,968,957</u>	<u>693,012</u>	<u>1,627,268</u>	<u>(62,409,740)</u>	<u>-</u>	<u>(62,409,740)</u>
BUSINESS-TYPE ACTIVITIES							
Water	6,210,813	6,981,658	-	1,383,669	-	2,154,514	2,154,514
Electric	38,225,831	39,735,155	14,635	-	-	1,523,959	1,523,959
Total business-type activities	<u>44,436,644</u>	<u>46,716,813</u>	<u>14,635</u>	<u>1,383,669</u>	<u>-</u>	<u>3,678,473</u>	<u>3,678,473</u>
Total government	<u>\$ 127,135,621</u>	<u>\$ 64,685,770</u>	<u>\$ 707,647</u>	<u>\$ 3,010,937</u>	<u>(62,409,740)</u>	<u>3,678,473</u>	<u>(58,731,267)</u>
GENERAL REVENUES							
Real property taxes					43,858,349	-	43,858,349
Interest and penalties on real property taxes					178,878	-	178,878
Payments in lieu of taxes					296,773	-	296,773
Non-property taxes					1,016,950	-	1,016,950
Unrestricted use of money and property					3,642,043	505,943	4,147,986
Unrestricted state aid					1,357,572	-	1,357,572
Gain on sale of property					14,010,000	-	14,010,000
Miscellaneous					357,827	-	357,827
Total general revenues					<u>64,718,392</u>	<u>505,943</u>	<u>65,224,335</u>
TRANSFERS							
					4,191,150	(4,191,150)	-
Change in net position					<u>6,499,802</u>	<u>(6,734)</u>	<u>6,493,068</u>
NET POSITION, beginning of year							
					(176,879,201)	23,122,025	(153,757,176)
NET POSITION, end of year							
					<u>\$ (170,379,399)</u>	<u>\$ 23,115,291</u>	<u>\$ (147,264,108)</u>

See accompanying Notes to Financial Statements.

Incorporated Village of Freeport, New York

Fund Financial Statements Balance Sheet - Governmental Funds

	February 29, 2024		
	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and equivalents	\$ 2,032,511	\$ 163,565	\$ 2,196,076
Investment, unrestricted	3,290,220	-	3,290,220
Investments, restricted	638,414	9,072,361	9,710,775
Length of service award program assets	5,060,451	-	5,060,451
Receivables			
Taxes	1,962,378	-	1,962,378
Accounts receivable, net	536,365	-	536,365
State and federal aid	190,314	-	190,314
Due from other funds			
Electric	12,043,191	-	12,043,191
Other funds	2,622,092	839,985	3,462,077
Due from other governments	646,053	108,556	754,609
Leases	15,890,201	-	15,890,201
Inventories	447,346	-	447,346
Prepaid expenditures	585,198	-	585,198
	\$ 45,944,734	\$ 10,184,467	\$ 56,129,201
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 3,047,769	\$ 813,425	\$ 3,861,194
Accrued liabilities	809,799	-	809,799
Due to other funds	1,106,461	1,158,032	2,264,493
Due to other governments	36,900	-	36,900
Deposits payable	894,936	-	894,936
Bond anticipation notes	-	9,263,670	9,263,670
Unearned revenues	18,807	-	18,807
Total liabilities	5,914,672	11,235,127	17,149,799
Deferred inflows of resources	17,113,296	-	17,113,296
Total liabilities and deferred inflows of resources	23,027,968	11,235,127	34,263,095
Fund balances			
Nonspendable			
Prepaid expenditures and inventory	1,032,544	-	1,032,544
Interfund advances	6,043,191	-	6,043,191
Restricted	5,698,865	9,072,361	14,771,226
Assigned	225,585	-	225,585
Unassigned	9,916,581	(10,123,021)	(206,440)
Total fund balances	22,916,766	(1,050,660)	21,866,106
Total liabilities, deferred inflows of resources, and fund balances	\$ 45,944,734	\$ 10,184,467	\$ 56,129,201

See accompanying Notes to Financial Statements.

Incorporated Village of Freeport, New York

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

	February 29, 2024
Fund balances - total governmental funds	\$ 21,866,106
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.	52,605,230
Deferred inflows of resources related to revenues that will be collected after year-end but are not available soon enough to pay for current period's expenditures are deferred in the funds.	1,782,457
Governmental funds do not report the effect of losses on refunding bonds and deferred outflows of resources and deferred inflows of resources relating to net pension, other postemployment benefits liabilities and the pension liability - Length of Service Award Program, whereas these amounts are deferred and amortized in the statement of activities.	
Deferred amounts on net pension liabilities	27,812,352
Deferred amounts on fire service awards	(774,422)
Deferred amounts on other postemployment benefits	(46,697,481)
Deferred amounts on refunding bonds	337,537
Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	(504,846)
Bonds payable	(26,141,496)
Bond anticipation notes payable	(1,975,000)
Tax certiorari payable	(348,371)
Claims payable	(7,087,489)
Compensated absences	(27,486,953)
Retirement incentives and other pension liabilities	(313,747)
Net pension liability	(34,529,225)
Pension liability - Length of Service Award Program	(12,251,610)
Other postemployment benefits liability	(116,672,441)
Net position of governmental activities	<u><u>\$ (170,379,399)</u></u>

Incorporated Village of Freeport, New York

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

Year Ended February 29, 2024

	General	Capital Projects	Total Governmental Funds
REVENUES			
Real property taxes	\$ 42,726,927	\$ -	\$ 42,726,927
Other tax items	475,651	-	475,651
Non-property taxes	1,016,950	-	1,016,950
Departmental income	9,254,565	-	9,254,565
Interfund revenues	2,480,697	-	2,480,697
Use of money and property	3,654,733	-	3,654,733
Licenses and permits	1,453,087	-	1,453,087
Fines and forfeitures	4,767,920	-	4,767,920
Sale of property and compensation for loss	14,111,996	-	14,111,996
State aid	1,384,959	1,249,935	2,634,894
Federal aid	665,623	377,333	1,042,956
Miscellaneous	189,061	66,770	255,831
Total revenues	82,182,169	1,694,038	83,876,207
EXPENDITURES			
General government	12,412,846	-	12,412,846
Public safety	26,139,355	-	26,139,355
Health	2,267	-	2,267
Transportation	2,525,983	-	2,525,983
Economic development and opportunity	152,444	-	152,444
Culture and recreation	4,268,082	-	4,268,082
Home and community services	5,391,969	-	5,391,969
Employee benefits	24,701,073	-	24,701,073
Capital outlay	1,534,732	2,428,428	3,963,160
Debt service			
Principal	4,283,189	-	4,283,189
Interest	1,195,083	-	1,195,083
Total expenditures	82,607,023	2,428,428	85,035,451
Deficiency of revenues over expenditures	(424,854)	(734,390)	(1,159,244)
OTHER FINANCING SOURCES (USES)			
Bond anticipation notes issued	585,000	-	585,000
Bond anticipation notes premiums	64,504	-	64,504
Transfers in	4,812,045	2,526,073	7,338,118
Transfers out	(2,526,073)	(620,895)	(3,146,968)
Total other financing sources (uses)	2,935,476	1,905,178	4,840,654
Net change in fund balances	2,510,622	1,170,788	3,681,410
FUND BALANCES, beginning of year	20,406,144	(2,221,448)	18,184,696
FUND BALANCES, end of year	\$ 22,916,766	\$ (1,050,660)	\$ 21,866,106

See accompanying Notes to Financial Statements.

Incorporated Village of Freeport, New York

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

		Year Ended February 29, 2024
Net change in fund balances - total governmental funds	\$	3,681,410
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Capital outlays	\$ 3,866,286	
Depreciation expense	(4,508,144)	
Loss on disposition	(995,265)	(1,637,123)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		1,131,422
<p>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.</p>		
Principal paid on bonds	4,223,189	
Bond anticipation notes issued	(585,000)	
Principal paid on bond anticipation notes	60,000	
Amortization of loss on refunding bonds	(100,711)	
Amortization of premium	190,046	3,787,524
<p>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:</p>		
Accrued interest	(196,688)	
Tax certiorari payable	1,026,013	
Claims payable	(2,140,528)	
Compensated absences	608,848	
Retirement incentives and other pension liabilities	444,273	
Net pension liability, net of deferred outflows of resources and deferred inflows of resources	(5,029,198)	
Pension liability - Length of Service Award Program, net of deferred outflows of resources and deferred inflows of resources	(159,110)	
Other postemployment benefits obligations, net of deferred outflows of resources and deferred inflows of resources	4,982,959	(463,431)
Change in net position of governmental activities		\$ 6,499,802

See accompanying Notes to Financial Statements.

Incorporated Village of Freeport, New York

Fund Financial Statements
Statement of Net Position - Proprietary Funds

	February 29, 2024		
	Water	Electric	Total
CURRENT ASSETS			
Cash and equivalents	\$ 179,610	\$ 2,063,088	\$ 2,242,698
Investments	3,114,577	6,081,129	9,195,706
Accounts receivable, net	2,683,428	5,398,201	8,081,629
Due from other funds	459,188	366,592	825,780
Inventories	114,600	2,688,769	2,803,369
Other assets	16,373	528,321	544,694
Total current assets	<u>6,567,776</u>	<u>17,126,100</u>	<u>23,693,876</u>
NONCURRENT ASSETS			
Costs to be recovered from future revenues	9,486,031	39,395,595	48,881,626
Regulatory deposit	-	812,052	812,052
Capital assets			
Nondepreciable capital assets	85,981	1,178,215	1,264,196
Depreciable capital assets, net	<u>17,643,180</u>	<u>46,465,597</u>	<u>64,108,777</u>
Total noncurrent assets	<u>27,215,192</u>	<u>87,851,459</u>	<u>115,066,651</u>
Total assets	<u>33,782,968</u>	<u>104,977,559</u>	<u>138,760,527</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>3,480,376</u>	<u>16,570,491</u>	<u>20,050,867</u>

See accompanying Notes to Financial Statements.

Incorporated Village of Freeport, New York

Fund Financial Statements Statement of Net Position - Proprietary Funds (continued)

	February 29, 2024		
	Water	Electric	Total
CURRENT LIABILITIES			
Accounts payable	\$ 492,703	\$ 2,459,273	\$ 2,951,976
Accrued liabilities	5,180	-	5,180
Accrued interest payable	180,502	160,134	340,636
Due to other funds	2,023,364	12,043,191	14,066,555
Regulatory liabilities	-	4,998,564	4,998,564
Bond anticipation notes payable	3,995,000	1,310,000	5,305,000
Unearned revenue	-	47,734	47,734
Customer deposits	-	1,649,347	1,649,347
Compensated absences	49,000	340,000	389,000
Amortized pension contribution payable	9,609	54,820	64,429
Bonds payable	928,213	3,747,126	4,675,339
Total current liabilities	7,683,571	26,810,189	34,493,760
NONCURRENT LIABILITIES			
Bonds payable, less current portion	3,559,874	24,480,513	28,040,387
Compensated absences, less current portion	440,981	3,236,970	3,677,951
Net pension liability	1,019,797	5,779,241	6,799,038
Other postemployment benefits liabilities	7,017,836	27,417,050	34,434,886
Amortized pension contributon paybale	(9,609)	26,494	16,885
Total noncurrent liabilities	12,028,879	60,940,268	72,969,147
Total liabilities	19,712,450	87,750,457	107,462,907
DEFERRED INFLOWS OF RESOURCES	5,166,178	23,067,018	28,233,196
NET POSITION			
Net investment in capital assets	9,246,074	18,106,173	27,352,247
Unrestricted (deficit)	3,138,642	(7,375,598)	(4,236,956)
Total net position	\$ 12,384,716	\$ 10,730,575	\$ 23,115,291

See accompanying Notes to Financial Statements.

Incorporated Village of Freeport, New York

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

	Year Ended February 29, 2024		
	Water	Electric	Total
OPERATING REVENUES			
Charges for services	\$ 6,556,811	\$ 38,961,274	\$ 45,518,085
Interest and penalties	424,847	-	424,847
Miscellaneous	-	773,881	773,881
Total operating revenues	6,981,658	39,735,155	46,716,813
OPERATING EXPENSES			
Power generation	-	20,352,358	20,352,358
Power and pumping	2,523,850	-	2,523,850
Transmission and distribution services	82,174	1,777,749	1,859,923
Street lighting and signal system	-	140,091	140,091
Customer counting and collection	-	890,702	890,702
Administrative and general	2,366,934	11,233,284	13,600,218
Depreciation	951,133	3,047,645	3,998,778
Miscellaneous	-	150,100	150,100
Total operating expenses	5,924,091	37,591,929	43,516,020
Operating income	1,057,567	2,143,226	3,200,793
NONOPERATING REVENUES (EXPENSES)			
Federal aid	-	14,635	14,635
State aid	1,383,669	-	1,383,669
Interest income	167,700	338,243	505,943
Interest expense	(286,722)	(633,902)	(920,624)
Total nonoperating revenues (expenses)	1,264,647	(281,024)	983,623
Income before other financing uses	2,322,214	1,862,202	4,184,416
OTHER FINANCING USES			
Transfers out - PILOT	(1,344,150)	(2,847,000)	(4,191,150)
Change in net position	978,064	(984,798)	(6,734)
NET POSITION, <i>beginning of year</i>	11,406,652	11,715,373	23,122,025
NET POSITION, <i>end of year</i>	\$ 12,384,716	\$ 10,730,575	\$ 23,115,291

See accompanying Notes to Financial Statements.

Incorporated Village of Freeport, New York

Fund Financial Statements Statement of Cash Flows - Proprietary Funds

	Year Ended February 29, 2024		
	Water	Electric	Total
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES			
Cash received from customers and charges for services	\$ 6,820,568	\$ 39,211,585	\$ 46,032,153
Cash payments for salaries and benefits	(3,378,159)	(12,831,684)	(16,209,843)
Cash payments to vendors	(1,936,555)	(24,046,470)	(25,983,025)
	1,505,854	2,333,431	3,839,285
CASH FLOWS USED BY NON-CAPITAL FINANCING ACTIVITIES			
Interfund payments	(1,005,966)	(114,293)	(1,120,259)
CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(1,442,752)	(2,689,927)	(4,132,679)
State and federal aid	1,383,669	2,759,058	4,142,727
Principal paid on bonds payable	(887,849)	(3,905,461)	(4,793,310)
Proceeds on bond anticipation notes issued	1,000,000	-	1,000,000
Principal paid on bond anticipation notes	(22,493)	(57,698)	(80,191)
Interest paid on bonds payable and bond anticipation notes	(217,068)	(530,985)	(748,053)
	(186,493)	(4,425,013)	(4,611,506)
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES			
Interest income	167,700	338,243	505,943
Purchase of investments	(509,450)	-	(509,450)
Sales of investments	-	1,239,613	1,239,613
	(341,750)	1,577,856	1,236,106
Net increase (decrease) in cash and equivalents	(28,355)	(628,019)	(656,374)
CASH AND EQUIVALENTS, <i>beginning of year</i>	133,165	2,691,107	2,824,272
CASH AND EQUIVALENTS, <i>end of year</i>	\$ 104,810	\$ 2,063,088	\$ 2,167,898

See accompanying Notes to Financial Statements.

Incorporated Village of Freeport, New York

Fund Financial Statements Statement of Cash Flows - Proprietary Funds (continued)

	Year Ended February 29, 2024		
	Water	Electric	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income	\$ 1,057,567	\$ 2,143,226	\$ 3,200,793
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	951,133	3,047,645	3,998,778
Loss on disposition	-	362,212	362,212
Bad debt expense	-	150,100	150,100
(Increase) decrease in			
Accounts receivable	(161,090)	(492,163)	(653,253)
Inventories	-	271,882	271,882
Other assets	(54)	50,860	50,806
Regulatory deposit	-	(89,446)	(89,446)
Deferred outflows of resources - net pension asset/ liability	55,690	348,403	404,093
Deferred outflows of resources - other postemployment benefits liability	(180,608)	367,785	187,177
Increase (decrease) in			
Accounts payable	(742,719)	(2,324,033)	(3,066,752)
Accrued liabilities	(46,607)	-	(46,607)
Unearned revenues	-	(181,507)	(181,507)
Regulatory liabilities	-	(462,252)	(462,252)
Customer deposits	-	44,281	44,281
Compensated absences	(8,377)	188,041	179,664
Other postemployment benefits liabilities	1,566,515	3,783,999	5,350,514
Net pension asset/liability and amortized pension contribution payable	1,372,308	7,871,644	9,243,952
Deferred inflows of resources - net pension asset/ liability	(1,281,104)	(7,311,275)	(8,592,379)
Deferred inflows of resources - other postemployment benefits liability	(1,076,800)	(5,435,971)	(6,512,771)
	448,287	190,205	638,492
Net cash provided (used) by operating activities	\$ 1,505,854	\$ 2,333,431	\$ 3,839,285

See accompanying Notes to Financial Statements.

Incorporated Village of Freeport, New York

Fund Financial Statements
Statement of Fiduciary Net Position - Fiduciary Fund

	February 29, 2024
	Private Purpose Trust
ASSETS	
Investments, restricted	<u>\$ 16,542</u>
NET POSITION	
Restricted	<u>\$ 16,542</u>

Incorporated Village of Freeport, New York

Fund Financial Statements
Statement of Changes in Fiduciary Net Position - Fiduciary Fund

	Year Ended February 29, 2024
	Private Purpose Trust
ADDITIONS	
Interest earnings	\$ 817
NET POSITION, <i>beginning of year</i>	<u>15,725</u>
NET POSITION, <i>end of year</i>	<u><u>\$ 16,542</u></u>

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 1. Organization and Summary of Significant Accounting Policies

The Incorporated Village of Freeport, New York (Village) was established in 1892 and is governed in accordance with its Charter, New York State Village Law, and the various other municipal laws of the State of New York. The Village's Board of Trustees (Village Board) is the legislative body responsible for overall operations. The Village Mayor serves as the Chief Executive Officer and the Village 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 accounting principles generally accepted in the United State of America (U.S. GAAP) as applicable to governmental units and the Uniform System of Accounts as prescribed by the State of New York. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Village's more significant accounting policies:

a. *Financial Reporting Entity*

The financial reporting entity consists of: (a) the primary government, which is the Village; (b) organizations for which the Village is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the Village are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by the 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 the GASB, including legal standing, fiscal dependency, and financial accountability. Based upon the application of these criteria, the Village has no component units that should be included within the reporting entity.

The following are excluded from the reporting entity:

- The Village of Freeport Community Development Agency (Agency): The Agency is a public benefit corporation created by state legislation to promote the safety, health, and welfare of the Village's inhabitants and promote the sound growth and development of the Village. The Village acts as a pass-through entity for funding received from the U.S. Department of Housing and Urban Development through contracts with the County of Nassau, New York. The Agency has been excluded from the Village's reporting entity based on the following criteria: (a) the Village is unable to remove a member of the Board of Directors of the Agency at will; (b) the Village is unable to control the budget of the Agency; (c) the Village does not guarantee the Agency's debt; (d) the Village is unable to exercise oversight over the rates set by the Agency; and (e) the Village is unable to appoint management, hire staff or exercise other administrative authority over the Agency.
- Village of Freeport Housing Authority (Authority): The Authority was created in 1957 by the New York State Legislature. Although the Authority is related to the Village, it is excluded based on the following criteria: (a) only the governing board of the Authority is appointed by the Village Mayor; (b) the Village provides no subsidy to the Authority nor is it responsible for the operational deficits of the Authority; (c) the Authority's debt is essentially supported by the operating revenues of the Authority and is not guaranteed by the Village; (d) the Village does not appoint management of the Authority nor does it approve the Authority's budget, contracts, or hiring of staff; and (e) the Village has no oversight responsibility for funds of the Authority.

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 1. Organization and Summary of Significant Accounting Policies (continued)

b. Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government as a whole. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally 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.

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

c. Fund Financial Statements

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

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 1. Organization and Summary of Significant Accounting Policies (continued)

c. Fund Financial Statements (continued)

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

Governmental funds: Governmental funds are those through which most general government functions are financed. The acquisition, use, and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the Village's major governmental funds:

- General Fund: The General Fund constitutes the primary operating fund of the Village and is used to account for and report all financial resources not accounted for and reported in another fund.
- Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets, other than those financed by proprietary funds.

Proprietary funds: Proprietary funds are used to account for operations that are financed and operated in a manner similar to private enterprises or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability. Enterprise funds are used to account for those operations that provide services to the public. The operations of the Water Fund and the Electric Fund are recorded as enterprise funds.

Fiduciary fund: The Private Purpose Trust is used to account for private donations. The Private Purpose Trust is not included in the government-wide financial statements.

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the Village considers property tax revenues to be available if collected within 60 days of the fiscal year-end. A 90-day availability period is used for revenue recognition for all other governmental fund revenues. Property taxes associated with the current fiscal period as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because they are generally not measurable until received in cash.

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 1. Organization and Summary of Significant Accounting Policies (continued)

d. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims, compensated absences, and other postemployment benefits (OPEB) obligations are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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

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

At February 29, 2024, the Village had \$22,196,701 invested with the New York Cooperative Liquid Assets Securities System (NYCLASS), which is a short-term highly liquid investment fund designed specifically for the public sector that operates like a money market fund. NYCLASS is subject to the Municipal Cooperation Agreement Amended and Restated as of March 28, 2019 and is structured in accordance with New York State General Municipal Law (GML) (Article 3-A and Article 5-G, Sections 119-n and -o, and Chapter 623 of the Laws of 1998). All NYCLASS investment and custodial policies are in accordance with GML, Sections 10 and 11 (as amended by Chapter 708 and Laws of 1992). NYCLASS is rated "AAAm" by S&P Global Ratings. Participants are allowed to conduct transactions (deposits, withdrawals, or transfers) on a normal business day. There are no limits on the dollar amount or number of daily transactions, except that the total daily withdrawals may not exceed the total balance on the deposit.

Taxes receivable: Real property taxes are levied and become a lien no later than March 1 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 and September 1. The first half of real property taxes becomes delinquent after April 1, and the second half becomes delinquent after October 1. Thereafter, penalties and interest are imposed pursuant to the Real Property Tax Law. After certification and return of the tax warrant to the Village Board 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.

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 1. Organization and Summary of Significant Accounting Policies (continued)

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

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 (PILOT). Receivables relating to business-type activities primarily consist of amounts due from residents for sales or services rendered. Receivables are recorded and revenues are recognized as earned or as specific program expenditures/expenses are incurred. Allowances are recorded when appropriate.

Due from/to other funds: During the course of its operations, the Village has numerous transactions between funds to finance operations, provide services, and construct assets. Balances of interfund amounts receivable or payable have been recorded in the fund financial statements to the extent that certain transactions between funds had not been paid or received as of February 29, 2024. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

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

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

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

Property held for sale or redevelopment: The Village values property held for sale or redevelopment at the lower of cost or net realizable value. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas remediation, maintenance, and repair costs are expensed as incurred. When property held for sale or redevelopment is sold, retired, or otherwise disposed of, the appropriate accounts are relieved of costs, and any resultant gain or loss is credited or charged to fund balance in the General Fund and net position within the governmental activities, respectively.

On May 31, 2023, the Village closed on the sale of its property held for sale or redevelopment. The total contracted sale included a non-refundable deposit of \$500,000 that was recorded as revenue at February 28, 2023. The remaining sale proceeds of \$17,000,000, less the book value of the property of \$2,990,000, were recorded as a \$14,010,000 gain during the year ended February 29, 2024.

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 1. Organization and Summary of Significant Accounting Policies (continued)

e. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balances (continued)

Regulatory assets and liabilities - costs to be recovered from future revenues: The rates for the sale of water and electricity in the Water Fund and the Electric Fund include amounts for OPEB that is expected to be paid out during the fiscal year but not for the annual required contribution. The Village has deferred the excess of current annual required contributions over the amounts paid in prior years and for the year ended February 29, 2024. The deferred costs will be recovered through future revenues as prescribed by the Village Board for the Water Fund and the rate-making policies of the New York State Public Service Commission (NYSPSC) for the Electric Fund. The costs to be recovered from revenues during the year ended February 28, 2024 were determined as follows:

	Business-Type Activities		
	Water Fund	Electric Fund	Total
Costs excluded from rate-making policies			
Annual OPEB costs (income)			
recoverable from ratepayers	\$ (80,949)	\$ (298,109)	\$ (379,058)
Costs included in current-year rates			
Amount of current-year payments	(309,791)	(1,128,957)	(1,438,748)
Changes in assumptions and other inputs	(303,484)	1,051,102	747,618
Costs to be recovered from future revenues	(694,224)	(375,964)	(1,070,188)
Beginning	10,180,255	39,771,559	49,951,814
Ending	<u>\$ 9,486,031</u>	<u>\$ 39,395,595</u>	<u>\$ 48,881,626</u>

Other regulatory assets and liabilities: The financial statements of the Electric Fund reflect the rate-making policies and orders of the NYSPSC. Accordingly, the Electric Fund follows GASB Statement No. 62, which allows for the deferral of expenses and income on the statement of net position when it is probable that those expenses and income will be allowed in the rate-setting process in a period different from the period in which they would have been reflected in the statement of revenues, expenses, and changes in net position. These deferred regulatory assets and liabilities are then recognized in the period and the amounts are reflected in the rates. As of February 29, 2024, the Village's regulatory assets and liabilities, as reported in the Electric Fund, were \$39,395,595 and \$4,998,564, respectively.

Capital assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$5,000 and an 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 an asset or materially extend assets' lives is not capitalized.

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 1. Organization and Summary of Significant Accounting Policies (continued)

e. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balances (continued)

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

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

Buildings	20-50 years
Improvements other than buildings	20 years
Machinery and equipment	5-10 years
Intangible assets – software	5 years
Infrastructure	25-50 years

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 sheet.

Intangible assets lack physical substance, are non-financial in nature, and have an estimated useful life extending beyond a single reporting period. The term depreciation, as used in these financial statements, includes the 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. 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	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 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 material salvaged; and (d) an increase to the account for the minimal amount of cash receipts received.

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over its fair value. There was no impairment of long-lived assets as of February 29, 2024.

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

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 1. Organization and Summary of Significant Accounting Policies (continued)

e. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balances (continued)

Unearned revenues in the fund financial statements are those for which asset recognition criteria have been met but revenue recognition criteria have not been met. The Village has reported \$18,807 for grant funds received in advance in the General Fund and \$47,734 for advance collections of fees in the Electric Fund.

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

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

The Village has reported deferred inflows of resources of \$1,782,457 at February 29, 2024 for real property taxes in the General Fund. This amount is deferred and recognized as an inflow of resources in the period the amounts become available. The Village has also recorded deferred inflows of resources related to lease receivables in the amount of \$14,317,868, which will be recognized in future periods in accordance with GASB Statement No. 87, *Leases*.

The Village has reported deferred outflows of resources within the governmental activities and the business-type activities of \$337,537 and \$1,238,959, respectively, for deferred charges on refunding bonds. These amounts result from the difference in the carrying value of the refunded debt and its reacquisition price. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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

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

Deferred outflows of resources and deferred inflows of resources in the government-wide financial statements are as follows:

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net pension liability	\$ 28,328,207	\$ 515,855
LOSAP	3,468,566	4,242,988
OPEB liability	39,942,323	86,639,804
Deferred amounts on refunding bonds	337,537	-
Leases	-	15,330,839
	\$ 72,076,633	\$ 106,729,486

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 1. Organization and Summary of Significant Accounting Policies (continued)

e. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balances (continued)

	Business-Type Activities			
	Water Fund		Electric Fund	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net pension liability	\$ 808,146	\$ 66,568	\$ 4,579,803	\$ 377,243
OPEB liability	2,631,415	5,099,610	10,792,544	22,689,775
Deferred amounts on refunding bonds	40,815	-	1,198,144	-
	\$ 3,480,376	\$ 5,166,178	\$ 16,570,491	\$ 23,067,018

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

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

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

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

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

Fund balance: Generally, fund balance represents the difference between current assets and deferred outflows of resources and current liabilities and deferred inflows of resources. In the fund financial statements, governmental funds report fund classifications that compose 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:** Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or legally or contractually required to be maintained intact (the corpus of a permanent fund).

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 1. Organization and Summary of Significant Accounting Policies (continued)

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

- **Restricted fund balance:** Restricted fund balance is reported when constraints placed on the use of the resources are imposed by grantors, contributors, or laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification is used to report funds that are restricted for debt service obligations and for other items contained in the General Municipal Law of the State of New York.
- **Committed fund balance:** 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 Village Board is the highest level of decision-making authority for the Village that can, by the adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, these funds may only be used for the purpose specified unless the Village removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain amounts established and approved by the Village Board.
- **Assigned fund balance:** Assigned fund balance in the General Fund represents amounts constrained either by policies of the Village Board for amounts assigned for balancing the subsequent year's budget or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. Unlike commitments, assignments generally exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted, or committed fund balance amounts.
- **Unassigned fund balance:** Unassigned fund balance in the General Fund represents amounts not classified as nonspendable, restricted, committed, or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all other governmental funds, unassigned fund balance would be negative if the fund's liabilities and deferred inflows of resources, together with amounts already classified as nonspendable, restricted, and committed, would exceed the fund's assets and deferred outflows of resources.

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

f. *Encumbrances*

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

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 1. Organization and Summary of Significant Accounting Policies (continued)

g. Estimates

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

h. Fair Value Measurements

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

i. Fair Value of Financial Instruments

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

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

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

Level 2: Inputs to the valuation methodology include:

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

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

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

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

- Exchange-traded funds and mutual funds: Reported at current quoted fair value.
- U.S. agency notes and certificates of deposit: Valued based on observable prices for the particular security or, when prices are not observable, on prices of comparable securities or the present value of future cash flows.
- Cash and cash equivalents: The carrying amount approximates fair value because of the short maturity of the investments.

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 1. Organization and Summary of Significant Accounting Policies (continued)

i. Fair Value of Financial Instruments (continued)

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

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

The following table summarizes the Village's investments and categorization within the fair value measurement hierarchy:

	Level 1	Level 2	Level 3	Total
NYCLASS	\$ -	\$ 22,196,701	\$ -	\$ 22,196,701
Exchange-traded funds				
Fixed income	292,590	-	-	292,590
Equity	1,762,791	-	-	1,762,791
Mixed asset	329,124	-	-	329,124
Mutual funds				
Fixed income	564,310	-	-	564,310
Equity	447,720	-	-	447,720
U.S. agency notes	-	721,700	-	721,700
Certificates of deposit	-	786,292	-	786,292
Cash and equivalents	155,924	-	-	155,924
	<u>\$ 3,552,459</u>	<u>\$ 23,704,693</u>	<u>\$ -</u>	<u>\$ 27,257,152</u>

j. Correction of Prior-Year Misstatement

The Village has restated the Electric Fund and business-type activities financial statements as of and for the year ended February 28, 2023 to correct a prior-year misstatement as follows:

	As Originally Stated February 28, 2023	Correction	As Restated February 28, 2023
Accounts receivable, net	\$ 7,327,912	\$ (2,271,774)	\$ 5,056,138
Fund balance, Electric Fund	13,987,147	(2,271,774)	11,715,373
Net position, business-type activities	25,393,799	(2,271,744)	23,122,055

The General Fund purchases electricity from the Electric Fund in the normal course of business. These receivables are paid through cash transfers and by providing administrative services on behalf of the Electric Fund. The portion of receivables redeemed from administrative services was never credited by the Electric Fund, resulting in an overstatement of receivables and an understatement of expenses.

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 1. Organization and Summary of Significant Accounting Policies (continued)

k. Subsequent Events Evaluation by Management

The Village has evaluated subsequent events for potential recognition or disclosure through January 23, 2025, the date the financial statements were available to be issued.

Note 2. Stewardship, Compliance, and Accountability

a. Budgetary Data

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

1. Prior to December 20, the budget officer submits to the Village Clerk and the Village Board a tentative operating budget for the fiscal year commencing the following March 1. The tentative budget includes proposed expenditures and the means of financing for the General Fund and the Capital Projects Fund.
2. The Village Board conducts a public hearing on the tentative budget to obtain taxpayer comments on or before January 15.
3. After the public hearing and on or before February 1, the Village Board meets to consider and adopt the budget, at which time it is required to file the document with the Village Clerk.
4. Formal budgetary integration is employed during the year as a management control device for the General Fund.
5. The budget for the General Fund is legally adopted annually on a basis consistent with U.S. GAAP. The Capital Projects Fund is budgeted on a project basis. The Village Board does not adopt an annual budget for the Water Fund and the Electric Fund.
6. The Village Board has established legal control of the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval of the Village Board. Any modification to appropriations resulting from an increase in revenue estimates or supplemental reserve appropriations also requires a majority vote by the Village Board.
7. Appropriations in the General Fund lapse at the end of the fiscal year, except those 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 Village Board.

l. Property Tax Limitation

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

In addition to this constitutional tax limitation, Chapter 97 of the Laws of 2011, as amended (Tax Levy Limitation Law), modified previous law by imposing a limit on the amount of real property taxes that 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.

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 2. Stewardship, Compliance, and Accountability (continued)

b. Property Tax Limitation (continued)

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 U.S. Department of Labor for the 12-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 U.S. Department of Labor for the 12-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 U.S. 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 may adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the Village Board first enacts, by a vote of at least 60% of the total voting power of the Village Board, a local law to override such limit for such coming fiscal year.

m. Capital Projects Fund Project Deficits

The unassigned deficit in the Capital Projects Fund of \$1,050,660 arises due to expenditures exceeding current financing on ongoing projects within the Village. The proceeds of bond anticipation notes (BAN) issued to finance the construction of capital projects are not recognized as "other financing sources." BANs are recognized as revenue only to the extent that they are redeemed. This deficit will be reduced and eliminated as BANs are redeemed from interfund transfers from other governmental funds or converted to permanent financing.

Note 3. Detailed Notes on All Funds

a. Taxes Receivable

Taxes receivable at February 29, 2024 totaled \$1,962,378. Taxes receivable in the fund financial statements are substantially offset by deferred tax revenues of \$1,782,457, which represents an estimate of the taxes receivable that will not be collected within the first 60 days of the subsequent year.

n. Receivables

State and federal receivables within the General Fund comprise the following:

General Fund	
State aid	
Public safety	\$ 16,000
Mortgage tax	132,319
Federal aid	
Public safety	3,052
Disaster	38,943
	\$ 190,314
	\$ 190,314

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 3. Detailed Notes on All Funds (continued)

b. Receivables (continued)

Due from other governments comprise the following:

General Fund	
PILOT agreements	\$ 72,456
Fire protection agreement	6,500
Other tax items	87,070
Due from Community Development Agency	191,673
Fines and forfeitures	288,354
	<u>646,053</u>
	<u>\$ 646,053</u>
Capital Projects Fund	
Due from Community Development Agency	\$ 108,556
	<u>\$ 108,556</u>

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

The Village has recorded an allowance for doubtful accounts of \$89,442 and \$417,226 within accounts receivable for the General Fund and the Electric Fund, respectively, at February 29, 2024.

c. Leases Receivable

The Village recognized lease revenue and related interest revenue of \$356,793 and \$485,205, respectively, for the year ended February 29, 2024. These amounts are included in the General Fund under use of money and property on the statement of revenues, expenditures, and changes in fund balances and unrestricted use of money and property on the statement of activities.

Future annual lease payments under these arrangements are as follows:

	Principal	Interest	Total
Year ending in February			
2025	\$ 307,142	\$ 511,030	\$ 818,172
2026	336,258	499,818	836,076
2027	368,370	487,559	855,929
2028	405,178	474,061	879,239
2029	439,181	459,339	898,520
2030-2034	2,782,038	2,030,575	4,812,613
2035-2039	3,955,541	1,460,366	5,415,907
2040-2044	5,409,862	711,334	6,121,196
2045-2047	735,221	33,087	768,308
	<u>14,738,791</u>	<u>6,667,169</u>	<u>21,405,960</u>
	<u>\$ 14,738,791</u>	<u>\$ 6,667,169</u>	<u>\$ 21,405,960</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 3. Detailed Notes on All Funds (continued)

d. Interfund Transactions

The balances reflected as due from/to other funds were as follows:

Due From Other Funds	Due to Other Funds				Total
	General	Capital Projects	Electric	Water	
General	\$ -	\$ 938,270	\$ 11,932,894	\$ 1,794,119	\$ 14,665,283
Capital Projects	678,634	-	26,742	134,609	839,985
Electric	52,194	219,762	-	94,636	366,592
Water	375,633	-	83,555	-	459,188
	<u>\$ 1,106,461</u>	<u>\$ 1,158,032</u>	<u>\$ 12,043,191</u>	<u>\$ 2,023,364</u>	<u>\$ 16,331,048</u>

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

Interfund transfers were as follows:

Transfers Out	Transfers In		Total
	General	Capital Projects	
General	\$ -	\$ 2,526,073	\$ 2,526,073
Capital Projects	620,895	-	620,895
Water	1,344,150	-	1,344,150
Electric	2,847,000	-	2,847,000
	<u>\$ 4,812,045</u>	<u>\$ 2,526,073</u>	<u>\$ 7,338,118</u>

During 2024, the Water Fund and the Electric Fund paid PILOTs of \$1,344,150 and \$2,847,000, respectively, to the General Fund, which is reported as a component of interfund transfers in the financial statements.

Incorporated Village of Freeport, New York

Notes to Financial Statements February 29, 2024

Note 3. Detailed Notes on All Funds (continued)

e. Capital Assets

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

	Governmental Activities			Balance February 29, 2024
	Balance March 1, 2023	Additions	Deletions	
Capital assets not being depreciated				
Land	\$ 4,976,783	\$ -	\$ 990,000	\$ 3,986,783
Construction in progress	130,891	677,220	3,185	804,926
Total capital assets not being depreciated	<u>5,107,674</u>	<u>677,220</u>	<u>993,185</u>	<u>4,791,709</u>
Depreciable capital assets				
Buildings	17,071,598	1,727,270	-	18,798,868
Improvements other than buildings	19,149,595	219,124	-	19,368,719
Machinery and equipment	20,914,499	1,040,130	280,493	21,674,136
Intangible assets - software	1,289,184	-	-	1,289,184
Infrastructure	87,723,253	202,542	-	87,925,795
Total depreciable capital assets	<u>146,148,129</u>	<u>3,189,066</u>	<u>280,493</u>	<u>149,056,702</u>
Less accumulated depreciation				
Buildings	10,967,143	367,719	-	11,334,862
Improvements other than buildings	14,742,051	672,068	-	15,414,119
Machinery and equipment	15,407,132	925,851	278,413	16,054,570
Intangible assets - software	1,213,283	25,613	-	1,238,896
Infrastructure	54,683,841	2,516,893	-	57,200,734
Total accumulated depreciation	<u>97,013,450</u>	<u>4,508,144</u>	<u>278,413</u>	<u>101,243,181</u>
Net depreciable capital assets	<u>49,134,679</u>	<u>(1,319,078)</u>	<u>2,080</u>	<u>47,813,521</u>
Total net governmental activities capital assets	<u>\$ 54,242,353</u>	<u>\$ (641,858)</u>	<u>\$ 995,265</u>	<u>\$ 52,605,230</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements February 29, 2024

Note 3. Detailed Notes on All Funds (continued)

e. Capital Assets (continued)

	Business-Type Activities			Balance February 29, 2024
	Balance March 1, 2023	Additions	Deletions	
Water Fund				
Capital assets not being depreciated				
Land	\$ 85,981	\$ -	\$ -	\$ 85,981
Depreciable capital assets				
Buildings	9,447,075	-	-	9,447,075
Improvements other than buildings	2,212,311	-	-	2,212,311
Machinery and equipment	1,427,541	438,802	47,280	1,819,063
Infrastructure	24,213,544	1,003,950	-	25,217,494
Total depreciable capital assets	<u>37,300,471</u>	<u>1,442,752</u>	<u>47,280</u>	<u>38,695,943</u>
Less accumulated depreciation				
Buildings	3,521,312	184,544	-	3,705,856
Improvements other than buildings	1,627,287	106,379	-	1,733,666
Machinery and equipment	903,141	99,487	47,280	955,348
Infrastructure	14,022,370	560,723	-	14,583,093
Total accumulated depreciation	<u>20,074,110</u>	<u>951,133</u>	<u>47,280</u>	<u>20,977,963</u>
Net depreciable capital assets	<u>17,226,361</u>	<u>491,619</u>	<u>-</u>	<u>17,717,980</u>
Total net Water Fund capital assets	<u>\$ 17,312,342</u>	<u>\$ 491,619</u>	<u>\$ -</u>	<u>\$ 17,803,961</u>
Electric Fund				
Capital assets not being depreciated				
Land	\$ 84,239	\$ -	\$ -	\$ 84,239
Construction in progress	3,335,198	-	2,241,222	1,093,976
Total capital assets not being depreciated	<u>3,419,437</u>	<u>-</u>	<u>2,241,222</u>	<u>1,178,215</u>
Depreciable capital assets				
Buildings	12,150,644	347,227	-	12,497,871
Machinery and equipment	109,389,729	1,833,147	315,020	110,907,856
Total depreciable capital assets	<u>121,540,373</u>	<u>2,180,374</u>	<u>315,020</u>	<u>123,405,727</u>
Less accumulated depreciation				
Buildings	8,825,839	265,006	-	9,090,845
Machinery and equipment	65,025,806	2,919,034	95,555	67,849,285
Total accumulated depreciation	<u>73,851,645</u>	<u>3,184,040</u>	<u>95,555</u>	<u>76,940,130</u>
Net depreciable capital assets	<u>47,688,728</u>	<u>(1,003,666)</u>	<u>219,465</u>	<u>46,465,597</u>
Total net Electric Fund capital assets	<u>\$ 51,108,165</u>	<u>\$ (1,003,666)</u>	<u>\$ 2,460,687</u>	<u>\$ 47,643,812</u>

In accordance with the NYSPSC, capital assets contributed to the Electric Fund or that are funded by non-user charges such as grants are excluded from the financial statements as they cannot be depreciated for rate-making purposes. The Electric Fund has received approximately \$19.8 million in federal grant funds since 2019 that were invested into the system and are excluded from the financial statements as required by the regulatory body.

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 3. Detailed Notes on All Funds (continued)

e. Capital Assets (continued)

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

Governmental activities	
General government support	\$ 222,372
Public safety	708,546
Transportation	2,016,075
Culture and recreation	933,044
Home and community services	<u>628,107</u>
Total depreciation expense for governmental activities	<u>\$ 4,508,144</u>
Business-type activities	
Water Fund	\$ 951,133
Electric Fund	<u>3,047,645</u>
Total depreciation expense for business-type activities	<u>\$ 3,998,778</u>

Electric Fund depreciation charged to clearing accounts and allocated to capital assets and other operating expenses as part of the work order process was \$136,395 for the year ended February 29, 2024.

f. Accrued Liabilities and Other Liabilities

Accrued liabilities and other liabilities were as follows:

	Governmental Activities	Business-Type Activities	Total
Payroll and employee benefits	\$ 809,799	\$ 5,180	\$ 814,979
Due to other governments	36,900	-	-
Unearned revenues	<u>18,807</u>	<u>47,734</u>	<u>66,541</u>
	<u>\$ 865,506</u>	<u>\$ 52,914</u>	<u>\$ 881,520</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements February 29, 2024

Note 3. Detailed Notes on All Funds (continued)

g. Bond Anticipation Notes

The schedule of changes in BANs within the fund financial statements is as follows:

Purpose	Original Issue Date	Maturity Date	Interest Rate	Balance March 1, 2023	New Issues	Redemptions	Balance February 29, 2024
Capital Projects Fund							
Various public improvements	4/27/2022	4/27/2023	2.23%	\$ 5,094,250	\$ -	\$ 5,094,250	\$ -
Various public improvements	4/27/2022	4/27/2023	2.75%	622,305	-	622,305	-
Various public improvements	11/15/2022	11/15/2023	5.00%	4,827,635	-	4,827,635	-
Various public improvements	2/23/2023	4/27/2023	4.49%	1,035,000	-	1,035,000	-
Various public improvements	4/26/2023	4/26/2024	4.50%	-	5,150,000	-	5,150,000
Various public improvements	4/26/2023	4/26/2024	3.92%	-	470,000	-	470,000
Various public improvements	11/14/2023	11/14/2024	4.75%	-	3,223,670	-	3,223,670
Various public improvements	11/14/2023	11/14/2024	6.42%	-	420,000	-	420,000
				<u>\$ 11,579,190</u>	<u>\$ 9,263,670</u>	<u>\$ 11,579,190</u>	<u>\$ 9,263,670</u>
Water Fund							
Various public improvements	11/15/2022	11/15/2023	5.00%	\$ 312,493	\$ -	\$ 312,493	\$ -
Various public improvements	4/27/2022	4/27/2023	2.23%	2,705,000	-	2,705,000	-
Various public improvements	4/26/2023	4/26/2024	4.50%	-	3,705,000	-	3,705,000
Various public improvements	11/14/2023	11/14/2024	4.75%	-	290,000	-	290,000
				<u>\$ 3,017,493</u>	<u>\$ 3,995,000</u>	<u>\$ 3,017,493</u>	<u>\$ 3,995,000</u>
Electric Fund							
Various public improvements	4/27/2022	4/27/2023	2.23%	\$ 600,000	\$ -	\$ 600,000	\$ -
Various public improvements	11/15/2022	11/15/2023	5.00%	767,698	-	767,698	-
Various public improvements	4/26/2023	4/26/2024	4.50%	-	600,000	-	600,000
Various public improvements	11/14/2023	11/14/2024	4.75%	-	710,000	-	710,000
				<u>\$ 1,367,698</u>	<u>\$ 1,310,000</u>	<u>\$ 1,367,698</u>	<u>\$ 1,310,000</u>

The schedule of changes in BANs within the government-wide governmental activities is as follows:

Purpose	Original Issue Date	Maturity Date	Interest Rate	Balance March 1, 2023	New Issues	Redemptions	Balance February 29, 2024
Governmental activities							
Tax Cert Claims - 2022 Series D	4/28/2022	4/27/2023	2.75%	\$ 600,000	\$ -	\$ 600,000	\$ -
Tax Cert Claims - 2023 Series A	2/23/2023	4/27/2023	4.99%	850,000	-	850,000	-
Tax Cert Claims - 2023 Series D	4/26/2023	4/26/2024	3.92%	-	1,390,000	-	1,390,000
Tax Cert Claims - 2024 Series A	2/29/2024	4/26/2024	6.49%	-	585,000	-	585,000
				<u>\$ 1,450,000</u>	<u>\$ 1,975,000</u>	<u>\$ 1,450,000</u>	<u>\$ 1,975,000</u>

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

Incorporated Village of Freeport, New York

Notes to Financial Statements February 29, 2024

Note 3. Detailed Notes on All Funds (continued)

h. Long-Term Liabilities

The following table summarizes the changes in the Village's long-term liabilities for the year ended February 29, 2024:

	Governmental Activities				
	Balance March 1, 2023	New Issues/ Additions	Maturities/ Refundings/ Payments	Balance February 29, 2024	Due Within One Year
Long-term debt					
Bonds payable	\$ 29,615,239	\$ -	\$ 4,223,189	\$ 25,392,050	\$ 4,416,036
Plus unamortized premium on bonds	939,492	-	190,046	749,446	190,049
	<u>30,554,731</u>	<u>-</u>	<u>4,413,235</u>	<u>26,141,496</u>	<u>4,606,085</u>
Other noncurrent liabilities					
BANs payable	1,450,000	585,000	60,000	1,975,000	-
Claims payable	4,946,961	2,578,508	437,980	7,087,489	708,749
Tax certiorari payable	1,374,384	141,291	1,167,304	348,371	348,371
Compensated absences	28,095,801	-	608,848	27,486,953	2,800,000
Retirement incentives and other pension liabilities	758,020	-	444,273	313,747	209,039
Net pension liability					
ERS	-	8,818,789	1,202,916	7,615,873	-
PFRS	2,715,924	29,455,331	5,257,903	26,913,352	-
Pension liability - Length of Service Award Program	11,556,498	1,185,971	490,859	12,251,610	-
OPEB obligations	102,169,625	19,653,054	5,150,238	116,672,441	-
	<u>153,067,213</u>	<u>62,417,944</u>	<u>14,820,321</u>	<u>200,664,836</u>	<u>4,066,159</u>
Governmental activities long-term liabilities	<u>\$ 183,621,944</u>	<u>\$ 62,417,944</u>	<u>\$ 19,233,556</u>	<u>\$ 226,806,332</u>	<u>\$ 8,672,244</u>
	Business-Type Activities				
	Balance March 1, 2023	New Issues/ Additions	Maturities/ Refundings/ Payments	Balance February 29, 2024	Due Within One Year
Water Fund					
Long-term debt					
Bonds payable	\$ 5,325,414	\$ -	\$ 887,849	\$ 4,437,565	\$ 909,963
Plus unamortized premium on bonds	76,662	-	26,140	50,522	18,250
	<u>5,402,076</u>	<u>-</u>	<u>913,989</u>	<u>4,488,087</u>	<u>928,213</u>
Other noncurrent liabilities					
Compensated absences	498,358	-	8,377	489,981	49,000
Retirement incentives and other pension liabilities	35,451	-	21,198	14,253	9,609
Net pension liability	-	1,180,872	161,075	1,019,797	-
OPEB obligations	6,145,545	1,182,140	309,791	7,017,894	-
	<u>6,679,354</u>	<u>2,363,012</u>	<u>500,441</u>	<u>8,541,925</u>	<u>58,609</u>
	<u>\$ 12,081,430</u>	<u>\$ 2,363,012</u>	<u>\$ 1,414,430</u>	<u>\$ 13,030,012</u>	<u>\$ 986,822</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements February 29, 2024

Note 3. Detailed Notes on All Funds (continued)

h. Long-Term Liabilities (continued)

	Business-Type Activities				
	Balance March 1, 2023	New Issues/ Additions	Maturities/ Refundings/ Payments	Balance February 29, 2024	Due Within One Year
Electric Fund					
Long-term debt					
Bonds payable	\$ 31,950,837	\$ -	\$ 3,905,461	\$ 28,045,376	\$ 3,704,002
Plus unamortized premium on bonds	225,389	-	43,126	182,263	43,124
	<u>32,176,226</u>	<u>-</u>	<u>3,948,587</u>	<u>28,227,639</u>	<u>3,747,126</u>
Other noncurrent liabilities					
Compensated absences	3,388,929	188,041	-	3,576,970	340,000
Retirement incentives and other pension liabilities	202,250	-	120,936	81,314	54,820
Net pension liability	-	6,692,064	912,823	5,779,241	-
OPEB obligations	24,009,015	4,618,306	1,210,271	27,417,050	-
	<u>27,600,194</u>	<u>11,498,411</u>	<u>2,244,030</u>	<u>36,854,575</u>	<u>394,820</u>
	<u>\$ 59,776,420</u>	<u>\$ 11,498,411</u>	<u>\$ 6,192,617</u>	<u>\$ 65,082,214</u>	<u>\$ 4,141,946</u>

i. General Obligation Bonds Payable

General obligation bonds payable comprise the following:

Purpose	Original Issue Amount	Final Maturity	Interest Rates	Governmental Activities	Business-Type Activities	
					Water Fund	Electric Fund
2014 Series A	\$ 6,925,000	5/2/2028	3.000%	\$ 2,040,000	\$ 355,000	\$ -
2014 Series A - Refunding	8,490,000	5/3/2024	2.125%-4.000%	332,000	68,000	53,250
2015 Series A - Refunding	8,390,000	2/28/2026	2.250%-5.000%	918,152	868,590	-
2016 Series A - Refunding	13,730,000	5/1/2028	3.000%-5.000%	3,407,345	198,493	1,229,161
2017 Series A	1,350,000	5/1/2031	1.750%-2.250%	6,448,404	107,536	674,060
2019 Series A	5,880,000	4/15/2037	1.500%-3.000%	3,805,238	950,272	124,490
2020 Series A - Refunding	33,465,000	5/1/2032	0.190%-1.819%	174,800	76,000	24,949,200
2021 Series A	7,512,350	4/15/2041	2.000%-2.250%	4,400,000	1,755,000	615,000
2021 Series B	2,100,000	4/15/2029	1.000%-1.780%	1,665,000	-	-
2022 Series A	2,310,000	4/15/2036	3.500%	2,201,111	58,674	400,215
				<u>25,392,050</u>	<u>4,437,565</u>	<u>28,045,376</u>
Unamortized premium on bonds				749,446	50,522	182,263
				<u>\$ 26,141,496</u>	<u>\$ 4,488,087</u>	<u>\$ 28,227,639</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 3. Detailed Notes on All Funds (continued)

i. General Obligation Bonds Payable (continued)

The annual requirements to amortize all bonded debt outstanding within the governmental activities as of February 29, 2024 are as follows:

	Governmental Activities		
	Principal	Interest	Total
Year ending in February			
2025	\$ 4,416,036	\$ 635,896	\$ 5,051,932
2026	4,012,413	508,844	4,521,257
2027	2,263,602	418,411	2,682,013
2028	2,293,320	361,426	2,654,746
2029	2,244,073	302,939	2,547,012
2030-2034	6,388,897	853,155	7,242,052
2035-2039	3,068,812	243,223	3,312,035
2040-2042	704,897	23,059	727,956
	<u>\$ 25,392,050</u>	<u>\$ 3,346,953</u>	<u>\$ 28,739,003</u>

The annual requirements to amortize all bonded debt outstanding within the business-type activities as of February 29, 2024 are as follows:

	Business-Type Activities		
	Principal	Interest	Total
Water Fund			
Year ending in February			
2025	\$ 909,963	\$ 103,485	\$ 1,013,448
2026	781,314	78,509	859,823
2027	245,324	62,463	307,787
2028	243,727	56,663	300,390
2029	170,078	51,683	221,761
2030-2034	878,014	194,259	1,072,273
2035-2039	879,045	82,526	961,571
2040-2042	330,000	10,794	340,794
	<u>\$ 4,437,465</u>	<u>\$ 640,382</u>	<u>\$ 5,077,847</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 3. Detailed Notes on All Funds (continued)

i. General Obligation Bonds Payable (continued)

	Business-Type Activities		
	Principal	Interest	Total
Electric Fund			
Year ending in February			
2025	\$ 3,704,002	\$ 414,436	\$ 4,118,438
2026	3,636,265	368,139	4,004,404
2027	3,236,074	318,799	3,554,873
2028	3,297,953	274,827	3,572,780
2029	3,365,819	223,794	3,589,613
2030-2034	10,458,120	346,911	10,805,031
2035-2038	347,143	15,534	362,677
	<u>\$ 28,045,376</u>	<u>\$ 1,962,440</u>	<u>\$ 30,007,816</u>

The outstanding general obligation bonds and BANs 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.

j. Claims Payable and Tax Certiorari 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. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claim costs depend on complex factors such as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimates of future costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and other facts that are considered to be appropriate modifiers of past experience.

The Village's tax certiorari payable is an estimate of tax certiorari refunds due.

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 3. Detailed Notes on All Funds (continued)

j. Claims Payable and Tax Certiorari Payables (continued)

An analysis of the claims payable and tax certiorari payable is as follows:

	Claims Payable	Tax Certiorari Payable	Total
Balance, <i>beginning of year</i>	\$ 4,946,961	\$ 1,374,384	\$ 6,321,345
Provision for claims and claim adjustment expenses	2,578,508		2,578,508
Claims and claim adjustment expenses paid	<u>(437,980)</u>	<u>(1,026,013)</u>	<u>(1,463,993)</u>
Balance, <i>end of year</i>	<u>\$ 7,087,489</u>	<u>\$ 348,371</u>	<u>\$ 7,435,860</u>
Due within one year	<u>\$ 708,749</u>	<u>\$ 348,371</u>	<u>\$ 1,057,120</u>

These amounts have been recorded as an expense and a liability in the government-wide financial statements.

k. Compensated Absences

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

Estimated vacation, sick leave and compensatory absences accumulated by governmental and business-type activities employees have been reported in the statement of net position. Payment of vacation time and sick leave is dependent upon many factors; therefore, the timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation, sick leave, and compensatory absences when such payments become due. As of February 29, 2024, the value of compensated absences in the governmental activities and the business-type activities was \$27,486,953 and \$4,066,951, respectively.

l. Retirement Incentives and Other Pension Liabilities

The New York State Legislature enacted Chapter 57 of the Laws of 2010. This Chapter authorized local governments, at their option, to amortize a portion of their respective New York State and Local Employees' Retirement System (ERS) and New York State and Local Police and Fire Retirement System's (PFRS) contributions beginning in 2010. The maximum amortization amounts each year going forward will be determined by the difference between each employer's effective contribution rate as compared to ERS and PFRS overall graded rate. The amortized amounts are to be paid in equal annual installments over a 10-year period, although amounts may be prepaid at any time.

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 3. Detailed Notes on All Funds (continued)

l. Retirement Incentives and Other Pension Liabilities (continued)

Interest is charged at rates that 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 certain ERS and PFRS contributions as presented in the table below:

	Original Amount Amortized	Current- Year Payments	Balance Due	Due Within One Year
2014 ERS	\$ 1,498,544	\$ 175,301	\$ -	\$ -
2014 PFRS	1,247,568	145,953	-	-
2015 ERS	658,090	73,064	75,366	75,366
2015 PFRS	689,872	76,593	79,006	79,006
2016 ERS	596,628	64,302	134,861	66,365
2016 PFRS	362,126	39,028	81,855	40,281
2017 PFRS	117,786	12,166	38,226	12,450
	<u>\$ 5,170,614</u>	<u>\$ 586,407</u>	<u>\$ 409,314</u>	<u>\$ 273,468</u>

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

	ERS	PFRS	Total
General Fund	\$ 170,533	\$ 273,740	\$ 444,273
Water Fund	21,198	-	21,198
Electric Fund	120,936	-	120,936
	<u>\$ 312,667</u>	<u>\$ 273,740</u>	<u>\$ 586,407</u>

m. Pension Plans

Plan Description and Benefits Provided

The Village participates in ERS and PFRS, which are collectively referred to as the New York State and Local Retirement System (System). These are cost-sharing, multiple-employer retirement systems. The System provides retirement benefits as well as death and disability benefits.

The net position of the System is held in the New York State Common Retirement Fund (Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the Trustee of the Fund and is the administrative head of the System. The Comptroller of the State of New York is an elected official determined in a direct statewide election and serves a four-year term. System benefits are established under the provisions of the New York State Retirement and Social Security Law (NYSRSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship, and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by the enactment of a New York State statute.

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 3. Detailed Notes on All Funds (continued)

m. Pension Plans (continued)

The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Contributions

Most members of the System who joined on or before July 26, 1976 are enrolled in a non-contributory plan. Members of the System who joined after July 26, 1976 are enrolled in a contributory plan that requires a 3% contribution of their salary. As a result of Article 19 of the NYSRSSL, eligible Tier 3 and Tier 4 employees with a membership date after July 26, 1976 who have 10 or more years of membership or credited service with the System are not required to contribute. Generally, members of the System may retire at 55; however, members of Tiers 2, 3, 4, and 5 will receive a reduced benefit if they retire before 62 with less than 30 years of service. Tier 5 members must be 62 years of age with at least 10 years of service credit to retire with full benefits, and employees with less than five years of service may withdraw and obtain a refund, including interest, of the accumulated employee contributions. The full benefit age for Tier 6 is 63 for System members.

Tier 6 members with 10 years of service or more can retire as early as age 55 with reduced benefits. The contribution rate varies from 3% to 6% depending on salary. Subsequent to March 31, 2022, legislation was passed that reduced the number of years of service credit from 10 years to five years.

Therefore, all members are vested when they reach five years of service credit. Members are required to contribute for all years of service. The average contribution rate for ERS and PFRS for the fiscal year ended March 31, 2023 was approximately 16.2% and 28.3% of payroll, respectively. Under the authority of the NYSRSSL, the Comptroller of the State of New York 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.

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

	<u>ERS</u>	<u>PFRS</u>
Year ended in February		
2024	\$ 2,276,814	\$ 5,257,903
2023	3,266,120	5,672,069
2022	3,255,646	5,212,704

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

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 3. Detailed Notes on All Funds (continued)

m. Pension Plans (continued)

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

At February 29, 2024, the Village reported a net pension liability of \$14,414,912 for ERS and \$26,913,352 for PFRS. The ERS net pension liability and corresponding deferred outflows of resources and deferred inflows of resources were allocated between the governmental activities and the enterprise funds, based on their proportionate share of retirement contribution. The PFRS net pension liability and corresponding deferred outflows of resources and deferred inflows of resources were recorded in the governmental activities. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At February 29, 2024, the Village's proportion was 0.0672211% for ERS and 0.4884038% for PFRS.

For the year ended February 29, 2024, the Village recognized pension expense on the accrual basis of accounting of \$5,038,308 for ERS and \$9,033,825 for PFRS. The Village reported deferred outflows of resources and deferred inflows of resources related to ERS and PFRS from the following sources:

	Governmental Activities			
	ERS		PFRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 811,150	\$ 213,882	\$ 2,630,509	\$ -
Changes in assumptions	3,698,759	40,878	13,114,806	-
Net differences between projected and actual investment earnings on pension plan investments	-	44,743	47,579	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	294,296	197,626	1,606,312	18,726
Village contributions subsequent to the measurement date	1,231,052	-	4,893,744	-
	<u>\$ 6,035,257</u>	<u>\$ 497,129</u>	<u>\$ 22,292,950</u>	<u>\$ 18,726</u>
	Business-Type Activities			
	Water Fund - ERS		Electric Fund - ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 108,616	\$ 28,640	\$ 615,534	\$ 162,303
Changes in assumptions	495,279	5,474	2,806,772	31,020
Net differences between projected and actual investment earnings on pension plan investments	-	5,991	-	33,953
Changes in proportion and differences between employer contributions and proportionate share of contributions	39,409	26,463	223,324	149,967
Village contributions subsequent to the measurement date	164,842	-	934,173	-
	<u>\$ 808,146</u>	<u>\$ 66,568</u>	<u>\$ 4,579,803</u>	<u>\$ 377,243</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 3. Detailed Notes on All Funds (continued)

m. Pension Plans (continued)

Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended February 29, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Governmental Activities		Business-Type Activities	
	ERS	PFRS	Water Fund - ERS	Electric Fund - ERS
Year ending in February				
2025	\$ 1,006,931	\$ 3,519,006	\$ 134,832	\$ 764,101
2026	(384,133)	(156,962)	(51,437)	(291,496)
2027	1,621,701	8,323,471	217,153	1,230,614
2028	2,062,577	5,179,709	276,188	1,565,168
2029	-	515,256	-	-
	\$ 4,307,076	\$ 17,380,480	\$ 576,736	\$ 3,268,387

Actuarial Assumptions

The total pension liability at March 31, 2023 was determined by using an actuarial valuation as of April 1, 2022, with updated procedures used to roll forward the total pension liability to March 31, 2023. Significant actuarial assumptions used in the valuation were as follows:

Actuarial Cost Method	Entry age normal
Inflation Rate	2.7%
Salary Scale	
ERS	4.4%, indexed by service
PFRS	6.2%, indexed by service
Investment Rate of Return, Including Inflation	5.9% compounded annually, net of expenses
Cost-of-Living Adjustment	1.4%
Decrement	Based on FY 2016-2020 experience
Mortality Improvement	Society of Actuaries' Scale MP-2020

Annuitant mortality rates are based on the April 1, 2015 to March 31, 2020 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020.

The actuarial assumptions used in the April 1, 2022 valuation are based on the results of an actuarial experience study for the period from April 1, 2010 to March 31, 2015.

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 3. Detailed Notes on All Funds (continued)

m. Pension Plans (continued)

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

Asset Type	Target Allocation	Long-Term Expected Real Rate
Domestic equity	32.00%	4.30%
International equity	15.00%	6.85%
Private equity	10.00%	7.50%
Real estate	9.00%	4.60%
Opportunistic/absolute return strategies	3.00%	5.38%
Credit	4.00%	5.43%
Real assets	3.00%	5.84%
Fixed income	23.00%	1.50%
Cash	1.00%	0.00%
	100.00%	

Discount Rate

The discount rate used to calculate the total pension liability was 5.9%. 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 contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 3. Detailed Notes on All Funds (continued)

m. Pension Plans (continued)

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

The following presents the Village's proportionate share of the net pension liability, calculated using the discount rate of 5.9%, 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 one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (4.9%)	Current Discount (5.9%)	1% Increase (6.9%)
Village's proportionate share of the net pension liability (asset)			
Governmental activities			
ERS	\$ -	\$ 7,615,873	\$ -
PFRS	\$ 56,102,143	\$ 26,913,352	\$ 2,743,281
Business-type activities			
Water Fund - ERS	\$ 5,224,898	\$ 1,019,797	\$ (397,202)
Electric Fund - ERS	\$ 29,609,761	\$ 5,779,241	\$ (2,250,961)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2023 were as follows (dollars in thousands):

	ERS	PFRS	Total
Employers' total pension liability	\$ 232,627,259	\$ 43,835,333	\$ 276,462,592
Plan net position	(211,183,223)	(38,324,863)	(249,508,086)
Employers' net pension liability	\$ 21,444,036	\$ 5,510,470	\$ 26,954,506
Ratio of plan net position to the employers' total pension liability	90.78%	87.43%	90.25%

n. OPEB Obligations Payable

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

Active employees	320
Retired employees	357
	677

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 3. Detailed Notes on All Funds (continued)

n. OPEB Obligations Payable (continued)

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

At February 29, 2024, the Village reported an OPEB liability of \$116,672,441 and \$34,434,944 in the governmental activities and the business-type activities, respectively. The OPEB liability was measured as of March 1, 2023 by an actuarial valuation using census data information as of that date. For the year ended February 29, 2024, the Village recognized OPEB expense (income) of \$21,186 and (\$379,055) in the governmental activities and the business-type activities, respectively. The Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,499,330	\$ 38,624,483
Change in assumptions	28,442,993	48,015,321
	\$ 39,942,323	\$ 86,639,804

	Business-Type Activities			
	Water Fund		Electric Fund	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 696,159	\$ 2,178,927	\$ 3,032,586	\$ 9,943,511
Change in assumptions	1,935,256	2,920,683	7,759,958	12,746,264
	\$ 2,631,415	\$ 5,099,610	\$ 10,792,544	\$ 22,689,775

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 3. Detailed Notes on All Funds (continued)

n. OPEB Obligations Payable (continued)

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

Year ending in February	Governmental Activities	Business-Type Activities	
		Water Fund	Electric Fund
2025	\$ (8,255,267)	\$ (436,333)	\$ (2,103,214)
2026	(8,253,937)	(436,262)	(2,102,876)
2027	(13,463,870)	(711,632)	(3,430,223)
2028	(18,614,357)	(983,861)	(4,742,425)
2029	1,889,950	99,893	481,507
	\$ (46,697,481)	\$ (2,468,195)	\$ (11,897,231)

The total OPEB liability at February 29, 2024 was determined using the following actuarial assumptions:

Discount Rate	4.15%
Valuation Date	March 1, 2023
Salary Scale	3.00% per annum
Mortality	PUB-2010 with MP-2021 Projection
Marital Rate	70% of males and 50% of females are assumed married. Wife is assumed to be the same age as the husband.
Inflation Rate	3.00% per annum
Health Care Cost Trend Rate	
Assumed Increase	Year 1 - 8.0%, Year 2 - 7.5%, Year 3 - 7.0%, Year 4 - 6.5%, Year 5 - 6.0%, Year 6 - 5.5%, Year 7+ - 5.0%

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

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 3. Detailed Notes on All Funds (continued)

n. OPEB Obligations Payable (continued)

Changes in the net OPEB liability are as follows:

	Governmental Activities	Business-Type Activities		Total
		Water Fund	Electric Fund	
Balance, <i>beginning of year</i>	\$ 102,169,625	\$ 6,145,545	\$ 24,009,015	\$ 132,324,185
Changes for the year				
Service cost	3,851,759	231,685	905,131	4,988,575
Interest	4,352,278	261,792	1,022,750	5,636,820
Difference between expected and actual experience	7,702,465	463,307	1,810,016	9,975,788
Change in assumptions	3,746,552	225,356	880,409	4,852,317
Benefit payments	<u>(5,150,238)</u>	<u>(309,791)</u>	<u>(1,210,271)</u>	<u>(6,670,300)</u>
Net changes	<u>14,502,816</u>	<u>872,349</u>	<u>3,408,035</u>	<u>18,783,200</u>
Balance, <i>end of year</i>	<u>\$ 116,672,441</u>	<u>\$ 7,017,894</u>	<u>\$ 27,417,050</u>	<u>\$ 151,107,385</u>

The following presents the OPEB liability of the plan as of February 29, 2024, calculated using the current health care cost trend rate, as well as what the OPEB liability would be if it were calculated using a health care cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current Rate	1% Increase
OPEB liability			
Governmental activities	\$ 99,827,117	\$ 116,672,411	\$ 137,666,113
Business-type activities			
Water Fund	6,012,124	7,017,894	8,290,991
Electric Fund	<u>23,453,748</u>	<u>27,417,050</u>	<u>32,343,781</u>
	<u>\$ 129,292,989</u>	<u>\$ 151,107,355</u>	<u>\$ 178,300,885</u>

The following presents the OPEB liability of the plan as of February 29, 2024, calculated using the discount rate of 4.15%, as well as what the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (3.15%)	Current Discount (4.15%)	1% Increase (5.15%)
OPEB liability			
Governmental activities	\$ 134,310,828	\$ 116,672,411	\$ 102,366,813
Business-type activities			
Water Fund	36,488,918	7,017,894	6,165,078
Electric Fund	<u>3,155,477</u>	<u>27,417,050</u>	<u>24,050,434</u>
	<u>\$ 173,955,223</u>	<u>\$ 151,107,355</u>	<u>\$ 132,582,325</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 3. Detailed Notes on All Funds (continued)

o. Length of Service Award Program

The Village, pursuant to Article 11-A of the GML and legislative resolution, has established a LOSAP for volunteer firefighters. The LOSAP 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 LOSAP is accounted for in the Village's financial statements within the General Fund.

Upon reaching age 18 and earning 50 or more points in a calendar year after 1999 under provisions of the LOSAP point system, active volunteer firefighters are eligible to become participants of the LOSAP. Points are granted for the performance of certain activities and point values. A participant may also receive credit for five years of firefighting service rendered prior to the establishment of the LOSAP. Participants are fully vested upon reaching the entitlement age, death or general disablement and earning five years of service credit. Upon reaching the entitlement age (the later of age 62 or the participant's age after earning 50 program points), a participant shall be able to receive their service award, payable in the form of a 10-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 LOSAP also provides disability and death benefits. The trustees of the LOSAP, 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 LOSAP.

At the December 31, 2023 measurement date, the following participants were covered by the benefits terms:

Inactive participants currently receiving benefit payments	89
Inactive participants entitled to, but not yet receiving, benefit payments	114
Active participants	233
	436

The GML requires the Village to contribute an actuarially determined contribution on an annual basis. The actuarially determined contribution shall be appropriated annually by the Village Board.

The total pension liability at the December 31, 2023 measurement date was determined using an actuarial valuation as of that date.

The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry age normal
Inflation Rate	2.25%
Salary Scale	None assumed

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

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 3. Detailed Notes on All Funds (continued)

o. Length of Service Award Program (continued)

The discount rate used to measure the total pension liability was 4.00%. This was the yield to maturity of the S&P Municipal Bond 20-Year High-Grade Rate Index as of December 31, 2023. In describing this index, S&P Down Jones Indices notes that the index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years and a rating of at least "Aa2" by Moody's Investors Service, "AA" by Fitch, or "AA" by Standard & Poor's Rating Services.

The Village's change in the total pension liability for the LOSAP's year ended December 31, 2023 is as follows:

Total pension liability - LOSAP, <i>beginning of year</i>	\$ 11,556,498
Changes for the year	
Service cost	222,668
Interest	497,104
Changes in assumptions or other inputs	500,343
Differences between expected and actual experience	(34,144)
Benefit payments	(490,859)
Net changes	695,112
Total pension liability - LOSAP, <i>end of year</i>	\$ 12,251,610

The following presents the total pension liability of the Village as of the December 31, 2023 measurement date, calculated using the discount rate of 4.00%, as well as what the Village's total pension liability would be if it was calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (3.00%)	Current Discount (4.00%)	1% Increase (5.00%)
Total pension liability - LOSAP	\$ 14,096,499	\$ 12,251,610	\$ 10,741,110

At February 29, 2024, the Village reported deferred outflows of resources and deferred inflows of resources related to the LOSAP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 354,884	\$ 30,730
Changes in assumptions or other inputs	2,975,322	4,212,258
Benefits payments and administrative expenses subsequent to the measurement date	138,360	-
	\$ 3,468,566	\$ 4,242,988

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 3. Detailed Notes on All Funds (continued)

o. Length of Service Award Program (continued)

Benefit payments and administrative expenses subsequent to the measurement date will be recognized as a reduction of the LOSAP during the year ended February 29, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LOSAP will be recognized in pension expense as follows:

Year ending in February		
2025	\$	(11,550)
2026		(11,550)
2027		(11,550)
2028		(11,550)
2029		(27,617)
Thereafter		(838,965)
		<u>(912,782)</u>
	\$	<u>(912,782)</u>

p. Fund Balance

A summary of the Village's governmental fund balances as of February 29, 2024 is as follows:

	General Fund	Capital Projects Fund	Total
	Fund	Fund	Total
Nonspendable			
Inventories	\$ 447,346	\$ -	\$ 447,346
Prepaid expenditures	585,198	-	585,198
Interfund advances	6,043,191	-	6,043,191
Total nonspendable	7,075,735	-	7,075,735
Restricted			
Debt service	638,414	-	638,414
Pension benefits	5,060,451	-	5,060,451
Capital outlays	-	9,072,361	9,072,361
Total restricted	5,698,865	9,072,361	14,771,226
Assigned			
Purchases on order			
General government support	225,585		225,585
Public safety	-		-
Total assigned	225,585	-	225,585
Unassigned	9,916,581	(10,123,021)	(206,440)
Total fund balances	\$ 22,916,766	\$ (1,050,660)	\$ 21,866,106

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 3. Detailed Notes on All Funds (continued)

p. Fund Balance

In the statement of net position, restricted assets for the debt service and pension benefits (LOSAP) are fully offset by corresponding liabilities and, therefore, not reported as restricted net position.

Note 4. Contingencies

a. Litigation and Claims

The Village is involved in various claims and lawsuits arising in the normal course of operations. Management believes that any financial responsibility that may be incurred in the 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 NYS PSC involving the New York Association of Public Power that may increase rates for electric transmission service, which would be paid by customers of the Freeport Electric System.

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

b. Other Contingencies

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

c. Risk Management

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

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

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

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

The Village estimates its potential claims under its self-insurance risk management program after consulting with outside professionals and legal counsel. The Village has recorded the liability for these claims in its government-wide financial statements.

Incorporated Village of Freeport, New York

Notes to Financial Statements
February 29, 2024

Note 4. Contingencies (Continued)

d. Tax Abatements

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

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

The Village has no material tax abatements as of and for the year ended February 29, 2024.

Note 5. Subsequent Events

In April 2024, the Village issued \$11,003,831 in 2024 Series B BANs, which bear interest at a reoffered rate of 4.5% and mature in April 2025. New money under the 2024 Service B BANs totaled \$6,187,500.

In April 2024, the Village issued \$3,815,000 in 2024 Series C BANs, which bear interest at 6.5% and mature in April 2025.

Note 6. Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 101, *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. If a government determines that criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The requirements of this statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

GASB Statement No. 103, *Financial Reporting Model Improvements*. This statement improves key components of the financial reporting model, including a reiteration of the Management's Discussion and Analysis requirements, description and presentation requirements for unusual or infrequent items, definitions of nonoperating revenues and expenses, major component unit presentation requirements, and the requirement that budgetary comparison information be presented as required supplementary information versus a statement. The requirements of this statement are effective for fiscal years beginning after June 15, 2025.

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

Incorporated Village of Freeport, New York

Required Supplementary Information Budgetary Comparison Schedule - General Fund

	Year Ended February 29, 2024			Variance With
	Original Budget	Final Budget	Actual	Final Budget Positive (Negative)
REVENUES				
Real property taxes	\$ 43,484,737	\$ 43,484,737	\$ 42,726,927	\$ (757,810)
Other tax items	720,420	720,420	475,651	(244,769)
Non-property taxes	1,617,385	1,617,385	1,016,950	(600,435)
Departmental income	9,953,200	9,953,200	9,254,565	(698,635)
Interfund revenues	1,700,000	1,700,000	2,480,697	780,697
Use of money and property	1,860,568	1,860,568	3,505,866	1,645,298
Licenses and permits	2,205,914	2,205,914	1,453,087	(752,827)
Fines and forfeitures	4,621,600	4,621,600	4,767,920	146,320
Sale of property and compensation for loss	5,416,880	5,416,880	14,111,996	8,695,116
State aid	1,529,380	1,529,380	1,384,959	(144,421)
Federal aid	1,130,000	1,130,000	665,623	(464,377)
Miscellaneous	776,341	776,341	189,061	(587,280)
Appropriated fund balance	291,265	291,265	291,265	-
Total revenues	75,307,690	75,307,690	82,324,567	7,016,877
EXPENDITURES				
General government	13,785,146	13,785,146	12,469,877	1,315,269
Public safety	26,964,287	26,964,287	26,635,908	328,379
Health	3,900	3,900	2,267	1,633
Transportation	1,734,586	1,734,586	2,530,442	(795,856)
Economic development and opportunity	183,646	183,646	152,444	31,202
Culture and recreation	3,725,566	3,725,566	5,240,771	(1,515,205)
Home and community services	5,140,345	5,140,345	5,395,969	(255,624)
Employee benefits	23,363,167	23,363,167	24,701,073	(1,337,906)
Debt service				
Principal	4,423,494	4,423,494	4,283,189	140,305
Interest	842,346	842,346	1,195,083	(352,737)
Total expenditures	80,166,483	80,166,483	82,607,023	(2,440,540)
Deficiency of revenues over expenditures	(4,858,793)	(4,858,793)	(282,456)	4,576,337
OTHER FINANCING SOURCES (USES)				
Bond anticipation notes issued	1,235,000	1,235,000	585,000	(650,000)
Bond and bond anticipation note premiums	70,000	70,000	64,504	(5,496)
Transfers in	4,661,300	4,661,300	4,812,045	150,745
Transfers out	(1,107,507)	(1,107,507)	(2,526,073)	(1,418,566)
Total other financing sources (uses)	4,858,793	4,858,793	2,935,476	(1,923,317)
Budgetary surplus	\$ -	\$ -	\$ 2,653,020	\$ 2,653,020
Budgetary surplus	\$ 2,653,020			
Change in fair value of LOSAP investments	148,867			
Appropriated fund balance	(291,265)			
Change in fund balance	\$ 2,510,622			

Incorporated Village of Freeport, New York

Required Supplementary Information
Notes to the Budgetary Comparison Schedule - General Fund
Year Ended February 29, 2024

The Incorporated Village of Freeport, New York (Village) prepares an annual budget for its General Fund on the modified accrual basis of accounting, with the following exceptions:

1. Investments held for the Village's Sponsored Length of Service Award Program (LOSAP) account are reported in the Village's General Fund as they are not legally restricted from external creditors. These investments consist of mutual funds and exchange-traded funds that are subject to fluctuation based on current market conditions. The Village does not budget for changes in the fair value of these investments. Instead, the Village budgets for the cash basis contribution from its unrestricted assets.
2. All New York State municipalities are required to pass a balanced budget on an annual basis. As part of the budgetary process, those charged with governance may appropriate fund balance (equity) when surplus resources have been accumulated. The appropriation of fund balance constitutes a budgetary funding source, but it is not considered a revenue in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

A reconciliation of the Village's budgetary basis to total changes in fund balances as reported in accordance with U.S. GAAP is presented below:

Budgetary surplus	\$	2,653,020
Change in fair value of LOSAP investments		148,867
Appropriated fund balance		<u>(291,265)</u>
Change in fund balance	\$	<u>2,510,622</u>

Incorporated Village of Freeport, New York

Required Supplementary Information Schedule of Other Postemployment Benefits Liability

	Year Ended in February					
	2024	2023	2022	2021	2020	2019
GOVERNMENTAL ACTIVITIES						
Beginning of year	\$ 102,169,625	\$ 181,376,357	\$ 214,878,932	\$ 168,270,567	\$ 122,346,544	\$ 122,140,697
Changes for the year						
Service cost	3,851,759	6,963,168	8,956,239	7,616,321	5,153,679	5,485,270
Interest	4,352,278	5,066,099	2,572,415	4,462,062	5,255,789	4,840,743
Difference between expected and actual experience	7,702,465	(55,413,910)	8,156,013	1,516,629	-	-
Change in assumptions	3,746,552	(31,097,648)	(48,620,553)	36,917,294	39,684,835	(6,299,261)
Benefit payments	(5,150,238)	(4,724,441)	(4,566,689)	(3,903,941)	(4,170,280)	(3,820,905)
Net changes	<u>14,502,816</u>	<u>(79,206,732)</u>	<u>(33,502,575)</u>	<u>46,608,365</u>	<u>45,924,023</u>	<u>205,847</u>
End of year	<u>\$ 116,672,441</u>	<u>\$ 102,169,625</u>	<u>\$ 181,376,357</u>	<u>\$ 214,878,932</u>	<u>\$ 168,270,567</u>	<u>\$ 122,346,544</u>
Covered payroll	\$ 33,649,830	\$ 29,746,265	\$ 29,567,471	\$ 30,282,950	\$ 28,085,796	\$ 28,640,343
OPEB liability as a percentage of covered payroll	346.73%	343.47%	613.43%	709.57%	599.13%	427.18%
BUSINESS-TYPE ACTIVITIES						
Beginning of year	\$ 30,154,560	\$ 56,704,064	\$ 67,179,908	\$ 56,616,762	\$ 40,484,600	\$ 40,961,026
Changes for the year						
Service cost	1,136,816	2,176,911	2,800,007	1,726,135	1,293,541	1,392,425
Interest	1,284,542	1,583,826	804,220	1,011,265	1,724,367	1,607,737
Difference between expected and actual experience	2,273,323	(19,111,101)	2,549,831	343,723	-	(2,277,153)
Change in assumptions	1,105,765	(9,722,128)	(15,200,344)	8,366,794	14,374,766	-
Benefit payments	(1,520,062)	(1,477,012)	(1,429,558)	(884,771)	(1,260,512)	(1,199,435)
Net changes	<u>4,280,384</u>	<u>(26,549,504)</u>	<u>(10,475,844)</u>	<u>10,563,146</u>	<u>16,132,162</u>	<u>(476,426)</u>
End of year	<u>\$ 34,434,944</u>	<u>\$ 30,154,560</u>	<u>\$ 56,704,064</u>	<u>\$ 67,179,908</u>	<u>\$ 56,616,762</u>	<u>\$ 40,484,600</u>
Covered payroll	\$ 9,932,387	\$ 9,301,077	\$ 8,305,843	\$ 9,467,684	\$ 9,449,822	\$ 9,477,120
OPEB liability as a percentage of covered payroll	346.69%	324.21%	682.70%	709.57%	599.13%	427.18%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditor's Report.

Incorporated Village of Freeport, New York

Required Supplementary Information Schedule of Proportionate Share of the Net Pension Asset/Liability

	Year Ended in February								
	2024	2023	2022	2021	2020	2019	2018	2017	2016
ERS									
Village's proportion of the net pension liability (asset)	0.0672211%	0.0700015%	0.0633307%	0.0685169%	0.0697882%	0.0709855%	0.0716054%	0.0721038%	0.0716503%
Village's proportionate share of the net pension liability (asset)	\$ 14,414,912	\$ (5,722,328)	\$ 63,061	\$ 18,143,667	\$ 4,944,704	\$ 2,291,019	\$ 6,728,204	\$ 11,572,857	\$ 2,420,522
Village's covered payroll	\$ 19,625,485	\$ 19,656,561	\$ 19,840,111	\$ 19,003,706	\$ 18,631,084	\$ 18,523,319	\$ 18,271,244	\$ 18,062,719	\$ 17,926,137
Village's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	73.45%	-29.11%	0.32%	95.47%	26.54%	12.37%	36.82%	64.07%	13.50%
Plan fiduciary net position as a percentage of the total pension liability	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	90.70%	90.70%	97.90%
PFRS									
Village's proportion of the net pension liability	0.4884038%	0.4781181%	0.4131639%	0.4088284%	0.4020716%	0.3914940%	0.3824851%	0.3836998%	0.3546445%
Village's proportionate share of the net pension liability	\$ 26,913,352	\$ 2,715,924	\$ 7,173,664	\$ 21,851,619	\$ 6,742,995	\$ 3,957,053	\$ 7,927,584	\$ 11,360,534	\$ 976,193
Village's covered payroll	\$ 19,663,064	\$ 19,861,829	\$ 18,732,119	\$ 18,307,412	\$ 17,948,443	\$ 17,497,658	\$ 16,841,964	\$ 16,552,013	\$ 15,685,066
Village's proportionate share of the net pension liability as a percentage of its covered payroll	136.87%	13.67%	38.30%	119.36%	37.57%	22.61%	47.07%	68.64%	6.22%
Plan fiduciary net position as a percentage of the total pension liability	87.43%	98.66%	95.79%	84.86%	95.09%	96.93%	93.50%	90.20%	99.00%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Incorporated Village of Freeport, New York

Required Supplementary Information Schedule of Pension Contributions

	Year Ended in February								
	2024	2023	2022	2021	2020	2019	2018	2017	2016
ERS									
Contractually required contribution	\$ 2,276,814	\$ 3,266,120	\$ 3,255,646	\$ 2,728,441	\$ 2,661,144	\$ 2,691,932	\$ 2,800,344	\$ 3,108,439	\$ 3,023,543
Contributions in relation to the contractually required contribution	\$ 2,276,814	\$ 3,266,120	\$ 3,255,646	\$ 2,728,441	\$ 2,661,144	\$ 2,691,932	\$ 2,800,344	\$ 3,108,439	\$ 3,023,543
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered payroll	\$ 19,625,485	\$ 19,656,561	\$ 19,840,111	\$ 19,003,706	\$ 18,631,084	\$ 18,523,319	\$ 18,271,244	\$ 18,062,719	\$ 17,926,137
Contributions as a percentage of covered payroll	11.60%	16.62%	16.41%	14.36%	14.28%	14.53%	15.33%	17.21%	16.87%
PFRS									
Contractually required contribution	\$ 5,257,903	\$ 5,672,069	\$ 5,212,704	\$ 4,344,169	\$ 3,916,278	\$ 4,002,982	\$ 3,796,357	\$ 3,621,910	\$ 3,840,430
Contributions in relation to the contractually required contribution	\$ 5,257,903	\$ 5,672,069	\$ 5,212,704	\$ 4,344,169	\$ 3,916,278	\$ 4,002,982	\$ 3,796,357	\$ 3,621,910	\$ 3,840,430
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered payroll	\$ 19,663,064	\$ 19,861,829	\$ 18,732,119	\$ 18,307,412	\$ 17,948,443	\$ 17,497,658	\$ 16,841,964	\$ 16,552,013	\$ 15,685,066
Contributions as a percentage of covered payroll	26.74%	28.56%	27.83%	23.73%	21.82%	22.88%	22.54%	21.88%	24.48%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Incorporated Village of Freeport, New York

Required Supplementary Information Schedule of Length of Service Award Program Liability

	Measurement Date as of December 31,						
	2023	2022	2021	2020	2019	2018	2017
Service cost	\$ 222,668	\$ 391,334	\$ 336,208	\$ 255,753	\$ 234,981	\$ 268,143	\$ 237,614
Interest	497,104	343,331	291,883	385,915	396,558	362,130	378,221
Changes in assumptions or other inputs	500,343	(4,008,315)	(738,171)	2,836,067	648,368	(826,583)	931,109
Changes in benefit terms	-	-	589,584	-	-	-	-
Differences between expected and actual experience	(34,144)	111,538	111,397	166,217	82,082	54,763	16,671
Benefit payments	(490,859)	(434,668)	(449,798)	(427,814)	(450,831)	(330,506)	(327,428)
Net change in total pension liability	695,112	(3,596,780)	141,103	3,216,138	911,158	(472,053)	1,236,187
TOTAL PENSION LIABILITY, beginning of year	11,556,498	15,153,278	15,012,175	11,796,037	10,884,879	11,356,932	10,120,745
TOTAL PENSION LIABILITY, end of year	<u>\$ 12,251,610</u>	<u>\$ 11,556,498</u>	<u>\$ 15,153,278</u>	<u>\$ 15,012,175</u>	<u>\$ 11,796,037</u>	<u>\$ 10,884,879</u>	<u>\$ 11,356,932</u>
Covered payroll	None	None	None	None	None	None	None
Total pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.