



Incorporated Village of Freeport, New York

Financial Report

Year Ended February 28, 2022

Incorporated Village of Freeport, New York

Financial Report

Year Ended February 28, 2022

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Independent Auditor's Report

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

Report on the 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 aggregate remaining fund information of the Incorporated Village of Freeport, New York (Village), as of and for the year ended February 28, 2022, 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 aggregate remaining fund information of the Village, as of February 28, 2022, 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.

Emphasis of Matter

As discussed in Note 1a to the financial statements, during the year ended February 28, 2022, the Village determined the Village of Freeport Community Development Agency no longer meets the criteria for discrete component unit presentation. Our opinions are not modified with respect to this matter.

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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Other Reporting Required by *Governments Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2022 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

BST+Co.CPAs, LLP

Latham, New York
December 21, 2022, except as to Note 1j, which is as of December 4, 2024.



Incorporated Village of Freeport, New York

Management's Discussion and Analysis February 28, 2022

As management of the Incorporated Village of Freeport, New York ("Village" or "primary government"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the year ended February 28, 2022. 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 \$154,328,681 at February 28, 2022, a decrease of \$10,776,844 from the prior year.
- The Village's governmental activities drove \$10,383,070 of the decrease in net position, while the business-type activities decreased net position by \$393,774. The most notable factor contributing to the Village's overall decrease in net position is the increase in the other post-employment benefit ("OPEB") liability for its current and retired employees, which increased \$11,3566,975, net of related deferred outflows and inflows of resources.
- As of February 28, 2022, the Village's governmental funds reported combining ending fund balances of \$19,643,705. Of this amount, \$955,061 is not in spendable form and \$6,657,980 is restricted for debt service and pension benefits. Assigned fund balance for specific purposes is \$38,984 representing encumbrances. The remaining \$11,991,680 is unassigned and currently available for spending. See Note 30.
- At year end, the Village's total fund balance for the General Fund was \$21,480,356, an increase of \$305,914 from the prior year. The unassigned fund balance for the General Fund is \$13,828,331, an increase of \$306,886 from the prior year.
- The Village's total bonded debt (inclusive of general obligation bonds and bond anticipation notes ("BANs")) accounted for as short-term and long-term debt was \$85,942,913 (exclusive of unamortized premium on bonds), of which \$42,413,027 relates to governmental activities and \$43,529,886 relates to business-type activities.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

Incorporated Village of Freeport, New York

Management's Discussion and Analysis February 28, 2022

Overview of the Financial Statements - Continued

Government-Wide Financial Statements - Continued

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

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

- *Governmental Activities* – The Village's basic services are reported here, including general government support; public safety; health; transportation; economic opportunity and development; culture and recreation, and home and community services. Property taxes, mortgage taxes, payments in lieu of taxes, sales taxes, franchise fees, fines, and state and federal grants finance these activities. The Village also charges fees to customers to help cover costs of certain services it provides.
- *Business-Type Activities*: The Village charges a fee to customers to help cover all or most the costs of certain services it provides. The Village's water and electric activities are reported within the business-type activities.

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.

Incorporated Village of Freeport, New York

Management's Discussion and Analysis
February 28, 2022

Overview of the Financial Statements - Continued

Fund Financial Statements - Continued

Governmental Funds - Continued

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

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

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

Proprietary Funds

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

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

Fiduciary Fund

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

Notes to Financial Statements

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

Incorporated Village of Freeport, New York

Management's Discussion and Analysis February 28, 2022

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 28, 2022	February 28, 2021	February 28, 2022 (Restated)	February 28, 2021	February 28, 2022	February 28, 2021
Current and other assets	\$ 34,876,334	\$ 34,073,104	\$ 67,805,442	\$ 63,885,577	\$ 102,681,776	\$ 97,958,681
Capital assets, net	54,885,567	55,245,186	66,175,823	68,683,386	121,061,390	123,928,572
Total assets	<u>89,761,901</u>	<u>89,318,290</u>	<u>133,981,265</u>	<u>132,568,963</u>	<u>223,743,166</u>	<u>221,887,253</u>
Deferred outflows of resources	<u>93,951,187</u>	<u>90,625,493</u>	<u>26,102,123</u>	<u>26,578,068</u>	<u>120,053,310</u>	<u>117,203,561</u>
Current liabilities	25,911,600	26,145,356	17,559,257	16,184,391	43,470,857	42,329,747
Long-term liabilities	259,048,150	316,759,307	97,083,468	118,211,419	356,131,618	434,970,726
Total liabilities	<u>284,959,750</u>	<u>342,904,663</u>	<u>114,642,725</u>	<u>134,395,810</u>	<u>399,602,475</u>	<u>477,300,473</u>
Deferred inflows of resources	<u>77,047,226</u>	<u>4,949,938</u>	<u>22,475,456</u>	<u>1,392,240</u>	<u>99,522,682</u>	<u>6,342,178</u>
Net position						
Net investment in capital assets	20,311,884	28,768,361	22,234,277	22,136,755	42,546,161	50,905,116
Unrestricted	<u>(198,605,772)</u>	<u>(196,679,179)</u>	<u>730,930</u>	<u>1,222,226</u>	<u>(197,874,842)</u>	<u>(195,456,953)</u>
Total net position	<u>\$ (178,293,888)</u>	<u>\$ (167,910,818)</u>	<u>\$ 22,965,207</u>	<u>\$ 23,358,981</u>	<u>\$ (155,328,681)</u>	<u>\$ (144,551,837)</u>

Total assets and deferred outflows of resources of the Village's governmental activities, as of February 28, 2022, were \$89,761,901 and \$93,951,187, respectively. Total liabilities and deferred inflows resources as of February 28, 2022 were \$284,959,750 and \$77,047,226, respectively. This results in a net deficit balance of \$178,293,888 at February 28, 2022, which increases the Village's governmental activities net deficit position by \$10,383,070 compared to the net deficit position at February 28, 2021. Of the Village's governmental activities net deficit position, \$20,311,884 represents its net investment in capital assets, leaving a \$198,605,772 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 non-current 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, bond anticipation notes 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 28, 2022, were \$133,981,265 and \$26,102,123, respectively. Total liabilities and deferred inflows resources as of February 28, 2022 were \$114,642,725 and \$22,475,456, respectively. This results in a net position of \$22,965,207 at February 28, 2022, which decreases the Village's business-type activities net position by \$393,774 compared to the net position at February 28, 2021. Of the Village's business-type activities net position balance, \$22,234,277 represents its net investment in capital assets, leaving \$730,930 as unrestricted net position.

Incorporated Village of Freeport, New York

Management's Discussion and Analysis February 28, 2022

Government-Wide Financial Analysis - Continued

The Village's combined net investment in capital assets of \$42,546,161 as of February 28, 2022, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, intangibles and infrastructure); less any related debt used to acquire those assets that remain outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The Village's combined net position decreased in the current year primarily due to the ongoing recognition of OPEB. The combined unfunded liability for OPEB as of February 28, 2022 totaled \$238,080,421. Additional information on OPEB can be found in Note 3M in the notes to the basic financial statements.

The analysis below provides detail of the results of operations of the governmental and business-type activities for the years ended February 28, 2022 and February 29, 2021, respectively:

	Governmental Activities		Business-type Activities		Total Primary Government	
	Year Ended		Year Ended		Year Ended	
	February 28, 2022	February 28, 2021	February 28, 2022 (Restated)	February 28, 2021	February 28, 2022 (Restated)	February 28, 2021
REVENUES						
Program revenues						
Charges for services	\$ 16,237,988	\$ 12,535,421	\$ 48,153,300	\$ 42,073,827	\$ 64,391,288	\$ 54,609,248
Operating grants and contributions	2,299,407	121,190	-	-	2,299,407	121,190
Capital grants and contributions	1,137,688	2,958,898	-	-	1,137,688	2,958,898
General revenues						
Real property taxes	41,693,441	47,738,443	-	-	41,693,441	47,738,443
Interest and penalties on real property taxes	426,080	426,640	-	-	426,080	426,640
Payments in lieu of taxes	271,264	315,005	-	-	271,264	315,005
Non-property taxes	1,180,550	1,179,921	-	-	1,180,550	1,179,921
Unrestricted use of money and property	1,845,601	2,122,339	5,719	15,225	1,851,320	2,137,564
Unrestricted state aid	1,244,175	767,018	-	-	1,244,175	767,018
Miscellaneous	2,805,538	1,125,266	-	-	2,805,538	1,125,266
Insurance recoveries	-	189,625	-	-	-	189,625
Transfers	4,491,150	5,291,150	(4,491,150)	(5,291,150)	-	-
Total revenues	<u>73,632,882</u>	<u>74,770,916</u>	<u>43,667,869</u>	<u>36,797,902</u>	<u>117,300,751</u>	<u>111,568,818</u>
EXPENSES						
General government	17,988,497	20,212,801	-	-	17,988,497	20,212,801
Public safety	47,307,070	57,198,376	-	-	47,307,070	57,198,376
Health	5,311	6,825	-	-	5,311	6,825
Transportation	5,415,108	5,331,818	-	-	5,415,108	5,331,818
Economic assistance and opportunity	141,057	92,903	-	-	141,057	92,903
Culture and recreation	6,333,327	7,140,762	-	-	6,333,327	7,140,762
Home and community services	5,789,152	5,500,825	-	-	5,789,152	5,500,825
Interest	1,036,430	1,181,389	-	-	1,036,430	1,181,389
Water	-	-	5,023,982	5,177,597	5,023,982	5,177,597
Electric	-	-	39,037,661	33,486,891	39,037,661	33,486,891
Total expenses	<u>84,015,952</u>	<u>96,665,699</u>	<u>44,061,643</u>	<u>38,664,488</u>	<u>128,077,595</u>	<u>135,330,187</u>
CHANGE IN NET POSITION	<u>(10,383,070)</u>	<u>(21,894,783)</u>	<u>(393,774)</u>	<u>(1,866,586)</u>	<u>(10,776,844)</u>	<u>(23,761,369)</u>
NET POSITION, beginning of year	(167,910,818)	(146,016,035)	23,358,981	25,225,567	(144,551,837)	(120,790,468)
NET POSITION, end of year	<u>\$ (178,293,888)</u>	<u>\$ (167,910,818)</u>	<u>\$ 22,965,207</u>	<u>\$ 23,358,981</u>	<u>\$ (155,328,681)</u>	<u>\$ (144,551,837)</u>

Incorporated Village of Freeport, New York

Management's Discussion and Analysis February 28, 2022

Government-Wide Financial Analysis - Continued

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

- Government-wide program revenues increased by \$3,035,322, primarily as a result of an increase in charges for services and an increase in operating grants and contributions.
- Government-wide general revenues decreased by \$4,397,608 from the previous year mainly due to decreased real property taxes and related interest and penalties on real property taxes.

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

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

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

	Total Costs of Services		Program Revenues		Net Cost of Services	
	Year Ended		Year Ended		Year Ended	
	February 28, 2022	February 28, 2021	February 28, 2022	February 28, 2021	February 28, 2022	February 28, 2021
General government support	\$ 17,988,497	\$ 20,212,801	\$ 6,270,810	\$ 3,052,724	\$ (11,717,687)	\$ (17,160,077)
Public safety	47,307,070	57,198,376	4,305,064	2,651,252	(43,002,006)	(54,547,124)
Health	5,311	6,825	-	-	(5,311)	(6,825)
Transportation	5,415,108	5,331,818	1,673,988	2,509,687	(3,741,120)	(2,822,131)
Economic assistance and opportunity	141,057	92,903	6,000	-	(135,057)	(92,903)
Culture and recreation	6,333,327	7,140,762	1,799,593	1,156,746	(4,533,734)	(5,984,016)
Home and community services	5,789,152	5,500,825	5,619,628	6,245,100	(169,524)	744,275
Interest	1,036,430	1,181,389	-	-	(1,036,430)	(1,181,389)
	<u>\$ 84,015,952</u>	<u>\$ 96,665,699</u>	<u>\$ 19,675,083</u>	<u>\$ 15,615,509</u>	<u>\$ (64,340,869)</u>	<u>\$ (81,050,190)</u>

The cost of the governmental activities totaled \$82,991,700 for the year ended February 28, 2022. The net cost of these services after being subsidized by program revenues of \$18,650,831 was \$64,340,869.

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

	Total Costs of Services		Program Revenues		Net Cost of Services	
	Year Ended		Year Ended		Year Ended	
	February 28, 2022	February 28, 2021	February 28, 2022	February 28, 2021	February 28, 2022	February 28, 2021
(Restated)						
Electric	\$ 39,037,661	\$ 33,486,891	\$ 41,735,623	\$ 35,724,441	\$ 2,697,962	\$ 2,237,550
Water	5,023,982	5,177,597	6,417,677	6,349,386	1,393,695	1,171,789
	<u>\$ 44,061,643</u>	<u>\$ 38,664,488</u>	<u>\$ 48,153,300</u>	<u>\$ 42,073,827</u>	<u>\$ 4,091,657</u>	<u>\$ 3,409,339</u>

The cost of the business-type activities totaled \$44,061,643 for the year ended February 28, 2022. The net income of these services after being subsidized by program revenues of \$48,153,300 was \$4,091,657. This income was used to make PILOT payments and other transfers, to the General Fund in the amount of \$4,491,150.

Incorporated Village of Freeport, New York

Management's Discussion and Analysis February 28, 2022

Financial Analysis of the Village's Funds

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

Governmental Funds

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

The General Fund is the chief operating fund of the Village. At the end of the current year, unassigned fund balance was \$13,828,331, representing 64% of the total General Fund balance of \$21,480,356. 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 an 18% unassigned fund balance to total expenditures and other financing uses and a 27% total fund balance to total expenditures and other financing uses.

At February 28, 2022, the Capital Projects Fund had a deficit balance of \$1,836,651. The fund balance of the Capital Projects Fund increased by \$1,851,463 in comparison to February 28, 2021, a result of timing differences between project expenditures and the recognition of corresponding permanent financing.

Proprietary Funds

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

As of February 28, 2022, the Water Fund's net position was \$11,362,843, a decrease of \$246,344 in comparison to February 28, 2021. Operating revenues decreased by \$68,291, a result of increased interest and penalties. Operating expenses also increased by \$17,273, primarily the result of contractual increases in salaries and other administrative costs. The non-operating revenues (expenses) increased by \$172,533 primarily as a result of an increase in costs related to other postemployment benefits that will be recovered from future revenues.

As of February 28, 2022, the Electric Fund's net position was \$11,602,794, a decrease of \$147,430 from the prior year. Operating revenues increased \$6,011,182 as a result of increased residential and commercial sales from the prior fiscal year. The increase in operating revenues resulted in an increase in operating expenses of \$3,402,827. The non-operating revenues (expenses) decreased by \$234,842 primarily as a result of a decrease in costs related to other postemployment benefits that will be recovered from future revenues, in addition to an increase in interest expense related to the Electric Fund's debt.

Incorporated Village of Freeport, New York

Management's Discussion and Analysis February 28, 2022

General Fund Budgetary Highlights

Over the course of the year the Village Board reviews and revises the budget as needed so that expenditures do not exceed appropriations. In the General Fund, various transfers between appropriations are approved by the Village Board for this purpose. The final budget is also revised from the original budget for the prior year encumbrances. Overall, total revenues were greater than budgeted amounts by \$405,340 and total actual expenditures were greater than total budgeted amounts by \$1,066,325. As a result, the Village's General Fund deficiency of revenues over expenditures was \$1,471,665 more than the final budgeted amounts during the year ended February 28, 2022. This deficiency was funded by other financing sources and uses, which exceeded budget by \$2,005,814 which resulted in a favorable result of \$534,149, when compared to the modified budget. Additional information related to the General Fund budgetary highlights are disclosed within the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.

Capital Assets and Debt Administration

Capital Assets

The Village's investment in capital assets for governmental activities and business-type activities at February 28, 2022 was \$20,311,884 and \$22,234,277, respectively. This investment in capital assets includes land, buildings, improvements, machinery and equipment, construction-in-progress, and infrastructure (roads, curbs, sidewalks, drainage, sewer and water systems) and intangible assets.

During the year ended February 28, 2022, the Village's major capital expenditures were as follows:

Water system improvements	\$	156,499
Electric system improvements		648,297
Recreation improvements		833,207
Road and sidewalk improvements		1,113,639
Acquisition of vehicles and major equipment		1,180,184
Sewer system improvements		1,275,393

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

	February 28, 2022	February 28, 2021
Land	\$ 4,976,783	\$ 5,150,221
Construction in progress	26,273	185,023
Buildings	16,791,853	16,309,619
Improvements other than buildings	18,864,961	18,513,988
Machinery and equipment	20,104,322	18,924,140
Intangibles - software	1,289,184	1,289,184
Infrastructure	85,579,352	83,190,318
Total capital assets, cost	147,632,728	143,562,493
Less: accumulated depreciation	92,747,161	88,317,307
Total net governmental activities capital assets	\$ 54,885,567	\$ 55,245,186

Incorporated Village of Freeport, New York

Management's Discussion and Analysis February 28, 2022

Capital Assets and Debt Administration - Continued

Capital Assets - Continued

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

	February 28, 2022	February 28, 2021
Land	\$ 170,220	\$ 170,220
Construction in progress	935,325	414,035
Buildings, wells and structures	21,571,979	21,336,962
Improvements other than buildings	2,212,311	2,212,311
Machinery and equipment	110,318,641	109,819,612
Infrastructure	21,324,842	21,273,754
Total capital assets, cost	156,533,318	155,226,894
Less: accumulated depreciation	90,357,495	86,543,508
Total net business-type activities capital assets	<u>\$ 66,175,823</u>	<u>\$ 68,683,386</u>

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

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

Long-Term Debt

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

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

Incorporated Village of Freeport, New York

Management's Discussion and Analysis February 28, 2022

Capital Assets and Debt Administration - Continued

Long-Term Debt - Continued

A summary of activity for outstanding debt for the Village for the year ended February 28, 2022 is as follows:

	Balance March 1, 2021	Increases	Decreases	Balance February 28, 2022
Governmental activities				
Bond anticipation notes	\$ 11,681,000	\$ 9,568,885	\$ 11,681,000	\$ 9,568,885
General obligation bonds *	30,765,451	7,012,350	4,933,659	32,844,142
	<u>\$ 42,446,451</u>	<u>\$ 16,581,235</u>	<u>\$ 16,614,659</u>	<u>\$ 42,413,027</u>
Business-type activities				
Bond anticipation notes	\$ 2,356,500	\$ 1,811,691	\$ 2,356,500	\$ 1,811,691
General obligation bonds *	43,749,535	2,600,000	4,631,340	41,718,195
	<u>\$ 46,106,035</u>	<u>\$ 4,411,691</u>	<u>\$ 6,987,840</u>	<u>\$ 43,529,886</u>

* - Exclusive of related unamortized bond premiums

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

Economic Factors and Next Year's Budget and Rates

The Village has adopted a budget for the 2021-2022 fiscal year, which factors in inflation and other adjustments to revenues and expenditures as well as prior year positive and negative fund balances. The 2022-2023 budget includes an overall decrease in real property tax revenues from the prior year of 0.2% for the Village's governmental activities.

Chapter 97 of the Laws of 2011 (the "Tax Cap Law") was enacted on June 24, 2011 and took effect for the 2012 budget year. The Tax Cap Law limits annual increases in the Village's overall real property tax to more no more than the lesser of 2.00% or the rate of inflation. Certain increases to the tax levy are excluded from the limitations imposed by the Tax Cap Law including exclusions for certain expenditures for retirement system contributions and tort judgments payable by the Village. In addition, the Village Board may override the limitations if the Village Board enacts, by vote of at least sixty percent of the voting power of the Village Board, a local law to override such limit for the upcoming budget year. The Tax Cap Law does not provide exclusion for debt service on general obligations issued by the Village. Accordingly, the Village has taken the appropriate steps to override the applicable tax cap for the 2022-2023 fiscal year.

Requests for Information

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

Incorporated Village of Freeport, New York

Government-Wide Financial Statements Statement of Net Position

	February 28, 2022		
	Governmental Activities	Business-type Activities (Restated)	Total
ASSETS			
Cash and equivalents	\$ 1,959,278	\$ 2,356,305	\$ 4,315,583
Investments, restricted	19,008,910	6,666,196	25,675,106
Receivables			
Taxes	1,881,215	-	1,881,215
Accounts, net	995,995	8,081,991	9,077,986
State and Federal aid	502,429	-	502,429
Due from other governments	944,938	-	944,938
Internal balances	5,638,508	(5,638,508)	-
Inventories	332,202	2,471,346	2,803,548
Property held for sale or redevelopment	2,990,000	-	2,990,000
Prepaid expenses	622,859	161,033	783,892
Costs to be recovered from future revenues	-	53,127,699	53,127,699
Regulatory deposits	-	579,380	579,380
Capital assets			
Not being depreciated	5,003,056	1,105,545	6,108,601
Being depreciated, net	49,882,511	65,070,278	114,952,789
Total assets	89,761,901	133,981,265	223,743,166
DEFERRED OUTFLOWS OF RESOURCES	93,951,187	26,102,123	120,053,310
LIABILITIES			
Accounts payable	3,519,489	4,109,514	7,629,003
Accrued liabilities	984,925	85,607	1,070,532
Accrued interest payable	335,446	249,569	585,015
Due to other governments	8,920	-	8,920
Deposits payable	633,708	-	633,708
Customer deposits	-	1,570,173	1,570,173
Regulatory liabilities	-	3,954,928	3,954,928
Bond anticipation notes payable	8,968,885	1,811,691	10,780,576
Unearned revenues	261,013	229,241	490,254
Non-current liabilities			
Due within one year	11,199,214	5,548,534	16,747,748
Due in more than one year	259,048,150	97,083,468	356,131,618
Total liabilities	284,959,750	114,642,725	399,602,475
DEFERRED INFLOWS OF RESOURCES	77,047,226	22,475,456	99,522,682
NET POSITION			
Net investment in capital assets	20,311,884	22,234,277	42,546,161
Unrestricted	(198,605,772)	730,930	(197,874,842)
Total net position	\$ (178,293,888)	\$ 22,965,207	\$ (155,328,681)

See accompanying Notes to Financial Statements.

Incorporated Village of Freeport, New York

Government-Wide Financial Statements Statement of Activities

Functions/Programs	Year Ended February 28, 2022						
	Program Revenue				Net (Expenses) Revenues and Changes in Net Position		
	Expenses (Restated)	Charges for Services (Restated)	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES							
General government support	\$ 17,988,497	\$ 4,047,175	\$ 2,223,635	\$ -	\$ (11,717,687)	\$ -	\$ (11,717,687)
Public safety	47,307,070	4,233,989	69,772	1,303	(43,002,006)	-	(43,002,006)
Health	5,311	-	-	-	(5,311)	-	(5,311)
Transportation	5,415,108	660,003	-	1,013,985	(3,741,120)	-	(3,741,120)
Economic opportunity and development	141,057	-	6,000	-	(135,057)	-	(135,057)
Culture and recreation	6,333,327	1,799,593	-	-	(4,533,734)	-	(4,533,734)
Home and community services	5,789,152	5,497,228	-	122,400	(169,524)	-	(169,524)
Interest	1,036,430	-	-	-	(1,036,430)	-	(1,036,430)
Total governmental activities	<u>84,015,952</u>	<u>16,237,988</u>	<u>2,299,407</u>	<u>1,137,688</u>	<u>(64,340,869)</u>	<u>-</u>	<u>(64,340,869)</u>
BUSINESS-TYPE ACTIVITIES							
Water	5,023,982	6,417,677	-	-	-	1,393,695	1,393,695
Electric	39,037,661	41,735,623	-	-	-	2,697,962	2,697,962
Total business-type activities	<u>44,061,643</u>	<u>48,153,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,091,657</u>	<u>4,091,657</u>
Total government	<u>\$ 128,077,595</u>	<u>\$ 64,391,288</u>	<u>\$ 2,299,407</u>	<u>\$ 1,137,688</u>	<u>(64,340,869)</u>	<u>4,091,657</u>	<u>(60,249,212)</u>
GENERAL REVENUES							
Real property taxes					41,693,441	-	41,693,441
Interest and penalties on real property taxes					426,080	-	426,080
Payments in lieu of taxes					271,264	-	271,264
Non-property tax distribution from County					177,455	-	177,455
Utilities gross receipts tax					1,003,095	-	1,003,095
Unrestricted use of money and property					1,845,601	5,719	1,851,320
Unrestricted State aid					1,244,175	-	1,244,175
Miscellaneous					2,805,538	-	2,805,538
Total general revenues					<u>49,466,649</u>	<u>5,719</u>	<u>49,472,368</u>
TRANSFERS							
					4,491,150	(4,491,150)	-
Change in net position					<u>(10,383,070)</u>	<u>(393,774)</u>	<u>(10,776,844)</u>
NET POSITION, beginning of year					<u>(167,910,818)</u>	<u>23,358,981</u>	<u>(144,551,837)</u>
NET POSITION, end of year					<u>\$ (178,293,888)</u>	<u>\$ 22,965,207</u>	<u>\$ (155,328,681)</u>

See accompanying Notes to Financial Statements.

Incorporated Village of Freeport, New York

Fund Financial Statements Balance Sheet - Governmental Funds

	February 28, 2022		
	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and equivalents	\$ 1,958,287	\$ 991	\$ 1,959,278
Investments, restricted	11,498,530	7,510,380	19,008,910
Receivables			
Taxes	1,881,215	-	1,881,215
Accounts, net	606,924	389,071	995,995
State and Federal aid	502,429	-	502,429
Due from other funds	6,452,962	852,380	7,305,342
Due from other governments	602,204	342,734	944,938
Inventories	332,202	-	332,202
Property held for sale or redevelopment	2,990,000	-	2,990,000
Prepaid expenditures	622,859	-	622,859
	\$ 27,447,612	\$ 9,095,556	\$ 36,543,168
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 2,456,872	\$ 1,062,617	\$ 3,519,489
Accrued liabilities	984,925	-	984,925
Due to other funds	1,108,863	557,971	1,666,834
Due to other governments	8,920	-	8,920
Deposits payable	633,708	-	633,708
Bond anticipation notes	-	8,968,885	8,968,885
Unearned revenues	261,013	-	261,013
Total liabilities	5,454,301	10,589,473	16,043,774
Deferred inflows of resources	512,955	342,734	855,689
Total liabilities and deferred inflows of resources	5,967,256	10,932,207	16,899,463
Fund balances			
Nonspendable	955,061	-	955,061
Restricted	6,657,980	-	6,657,980
Assigned	38,984	-	38,984
Unassigned	13,828,331	(1,836,651)	11,991,680
Total fund balances	21,480,356	(1,836,651)	19,643,705
Total liabilities, deferred inflows of resources, and fund balances	\$ 27,447,612	\$ 9,095,556	\$ 36,543,168

See accompanying Notes to Financial Statements.

Incorporated Village of Freeport, New York

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

	<u>February 28, 2022</u>
Fund balances - total governmental funds	\$ 19,643,705
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>	54,885,567
<p>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:</p>	855,689
<p>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.</p>	
Deferred amounts on net pension liabilities	2,383,726
Deferred amounts on fire service awards	2,541,747
Deferred amounts on other postemployment benefits	11,439,529
Deferred amounts on refunding bonds	538,959
<p>Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds:</p>	
Accrued interest payable	(335,446)
Bonds payable	(33,973,683)
Bond anticipation notes payable	(600,000)
Tax certiorari payable	(1,024,709)
Claims payable	(4,762,884)
Compensated absences	(24,818,419)
Retirement incentives and other pension liabilities	(1,329,931)
Net pension liability	(7,208,103)
Pension liability - length of service award program	(15,153,278)
Other postemployment benefit liability	(181,376,357)
Net position of governmental activities	<u>\$ (178,293,888)</u>

Incorporated Village of Freeport, New York

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

	Year Ended February 28, 2022		
	General	Capital	Total
	(Restated)	Projects	Governmental Funds
REVENUES			
Real property taxes	\$ 43,572,852	\$ -	\$ 43,572,852
Other tax items	697,344	-	697,344
Non-property taxes	1,180,550	-	1,180,550
Departmental income	8,017,164	-	8,017,164
Intergovernmental charges	6,500	-	6,500
Interfund revenues	2,283,835	-	2,283,835
Use of money and property	1,845,601	-	1,845,601
Licenses and permits	1,781,718	-	1,781,718
Fines and forfeitures	4,148,771	-	4,148,771
Sale of property and compensation for loss	1,621,327	-	1,621,327
State aid	1,418,757	926,019	2,344,776
Federal aid	2,257,019	-	2,257,019
Miscellaneous	1,184,211	79,475	1,263,686
Total revenues	70,015,649	1,005,494	71,021,143
EXPENDITURES			
General government	11,729,040	-	11,729,040
Public safety	23,754,510	-	23,754,510
Health	2,584	-	2,584
Transportation	2,466,161	-	2,466,161
Economic development and opportunity	121,783	-	121,783
Culture and recreation	3,300,889	-	3,300,889
Home and community services	4,492,458	-	4,492,458
Employee benefits	22,504,535	-	22,504,535
Capital outlay	209,989	4,199,567	4,409,556
Debt service			
Principal	7,198,659	-	7,198,659
Interest	987,091	-	987,091
Total expenditures	76,767,699	4,199,567	80,967,266
Deficiency of revenues over expenditures	(6,752,050)	(3,194,073)	(9,946,123)
OTHER FINANCING SOURCES (USES)			
Bonds issued	2,100,000	4,912,350	7,012,350
Bond anticipation notes issued	600,000	-	600,000
Transfers in	4,618,964	261,000	4,879,964
Transfers out	(261,000)	(127,814)	(388,814)
Total other financing sources (uses)	7,057,964	5,045,536	12,103,500
Net change in fund balances	305,914	1,851,463	2,157,377
FUND BALANCES, beginning of year	21,174,442	(3,688,114)	17,486,328
FUND BALANCES, end of year	\$ 21,480,356	\$ (1,836,651)	\$ 19,643,705

See accompanying Notes to Financial Statements.

Incorporated Village of Freeport, New York

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

	<u>Year Ended February 28, 2022</u>
Net change in fund balances - total governmental funds	\$ 2,157,377
<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	4,243,673
Loss on disposal of equipment	(173,438)
Depreciation expense	<u>(4,429,854)</u>
	(359,619)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	(1,879,411)
<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>	
Bonds issued	(7,012,350)
Principal paid on bonds	4,933,659
Bond anticipation notes issued	(600,000)
Principal paid on bond anticipation notes	2,265,000
Amortization of loss on refunding bonds	(108,480)
Premium on bonds issued	(79,737)
Amortization of premium	<u>189,384</u>
	(412,524)
<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	(50,506)
Tax certiorari payable	(140,419)
Claims payable	1,243,892
Compensated absences	(857,060)
Retirement incentives and other pension liabilities	664,833
Net pension liability, net of deferred outflows of resources and deferred inflows of resources	1,707,400
Pension liability - length of service award program, net of deferred outflows of resources and deferred inflows of resources	(1,100,058)
Other post employment benefit obligations, net of deferred outflows of resources and deferred inflows of resources	<u>(11,356,975)</u>
	<u>(9,888,893)</u>
Change in net position of governmental activities	<u>\$ (10,383,070)</u>

Incorporated Village of Freeport, New York

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

	Year Ended February 28, 2022			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual (Restated)	
REVENUES				
Real property taxes	\$ 43,571,666	\$ 43,571,666	\$ 43,572,852	\$ 1,186
Other tax items	681,162	681,162	697,344	16,182
Non-property taxes	1,178,000	1,178,000	1,180,550	2,550
Departmental income	9,333,540	9,333,540	8,017,164	(1,316,376)
Intergovernmental charges	6,500	6,500	6,500	-
Interfund revenues	1,700,000	1,700,000	2,283,835	583,835
Use of money and property	1,673,659	1,673,659	1,845,601	171,942
Licenses and permits	2,488,972	2,488,972	1,781,718	(707,254)
Fines and forfeitures	3,918,000	3,918,000	4,148,771	230,771
Sale of property and compensation for loss	2,663,000	2,663,000	1,621,327	(1,041,673)
State aid	760,927	760,927	1,418,757	657,830
Federal aid	375,000	375,000	2,257,019	1,882,019
Miscellaneous	1,046,311	1,046,311	1,184,211	137,900
Total revenues	69,396,737	69,396,737	70,015,649	618,912
EXPENDITURES				
General government	12,712,372	12,658,595	11,729,040	929,555
Public safety	24,625,873	24,538,397	23,754,510	783,887
Health	3,350	3,350	2,584	766
Transportation	1,701,037	1,693,037	2,466,161	(773,124)
Economic development and opportunity	104,874	104,874	121,783	(16,909)
Culture and recreation	3,367,597	3,359,564	3,300,889	58,675
Home and community services	4,226,323	4,226,389	4,492,458	(266,069)
Employee benefits	21,540,074	21,727,364	22,504,535	(777,171)
Capital outlay	259,730	278,714	209,989	68,725
Debt service				
Principal	5,098,660	5,098,660	7,198,659	(2,099,999)
Interest	988,178	988,178	987,091	1,087
Total expenditures	74,628,068	74,677,122	76,767,699	(2,090,577)
Deficiency of revenues over expenditures	(5,231,331)	(5,280,385)	(6,752,050)	(1,471,665)
OTHER FINANCING SOURCES (USES)				
Bonds issued	1,210,000	1,210,000	2,100,000	890,000
Bond anticipation notes issued	-	-	600,000	600,000
Transfers in	4,647,150	4,647,150	4,618,964	(28,186)
Transfers out	(805,000)	(805,000)	(261,000)	544,000
Total other financing sources (uses)	5,052,150	5,052,150	7,057,964	2,005,814
Appropriated fund balance / surplus	(179,181)	(228,235)	305,914	534,149
FUND BALANCE, beginning of year	21,174,442	21,174,442	21,174,442	-
FUND BALANCE, end of year	\$ 20,995,261	\$ 20,946,207	\$ 21,480,356	\$ 534,149

See accompanying Notes to Financial Statements.

Incorporated Village of Freeport, New York

Fund Financial Statements Statement of Net Position - Proprietary Funds

	February 28, 2022		
	Water	Electric (Restated)	Total
ASSETS			
CURRENT ASSETS			
Cash and equivalents	\$ 135,928	\$ 2,220,377	\$ 2,356,305
Investments, restricted	2,076,521	4,589,675	6,666,196
Accounts receivable, net	2,248,885	5,833,106	8,081,991
Due from other funds	498,872	453,864	952,736
Inventories	114,599	2,356,747	2,471,346
Prepaid expenses	19,272	141,761	161,033
Total current assets	5,094,077	15,595,530	20,689,607
NONCURRENT ASSETS			
Costs to be recovered from future revenues	9,566,044	43,561,655	53,127,699
Regulatory deposit	-	579,380	579,380
Capital assets			
Nondepreciable capital assets	85,981	1,019,564	1,105,545
Depreciable capital assets, net	15,005,961	50,064,317	65,070,278
Total noncurrent assets	24,657,986	95,224,916	119,882,902
Total assets	29,752,063	110,820,446	140,572,509
DEFERRED OUTFLOWS OF RESOURCES			
	4,315,811	21,786,312	26,102,123
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	261,443	3,848,071	4,109,514
Accrued liabilities	85,607	-	85,607
Accrued interest payable	60,571	188,998	249,569
Due to other funds	847,164	5,744,080	6,591,244
Regulatory liabilities	-	3,954,928	3,954,928
Bond anticipation notes payable	373,993	1,437,698	1,811,691
Unearned revenue	-	229,241	229,241
Customer deposits	-	1,570,173	1,570,173
Compensated absences	43,418	318,281	361,699
Retirement incentives and other pension liabilities	35,950	155,920	191,870
Bonds payable	1,122,535	3,872,430	4,994,965
Total current liabilities	2,830,681	21,319,820	24,150,501

See accompanying Notes to Financial Statements.

Incorporated Village of Freeport, New York
Fund Financial Statements
Statement of Net Position - Proprietary Funds - Continued

	February 28, 2022		
	Water	Electric	Total
LIABILITIES - Continued			
NONCURRENT LIABILITIES			
Bonds payable, less current portion	\$ 5,368,666	\$ 31,766,224	\$ 37,134,890
Compensated absences, less current portion	390,757	2,578,039	2,968,796
Net pension liability	4,512	24,110	28,622
Other post employment benefit liabilities	10,209,996	46,494,068	56,704,064
Retirement incentives and other pension liabilities, less current portion	46,297	200,799	247,096
Total noncurrent liabilities	16,020,228	81,063,240	97,083,468
Total liabilities	18,850,909	102,383,060	121,233,969
DEFERRED INFLOWS OF RESOURCES	3,854,122	18,621,334	22,475,456
NET POSITION			
Net investment in capital assets	8,226,748	14,007,529	22,234,277
Unrestricted (deficit)	3,136,095	(2,405,165)	730,930
Total net position	\$ 11,362,843	\$ 11,602,364	\$ 22,965,207

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 28, 2022		
	Water	Electric (Restated)	Total
OPERATING REVENUES			
Charges for services	\$ 6,264,824	\$ 41,496,982	\$ 47,761,806
Interest and penalties	152,853	-	152,853
Miscellaneous	-	238,641	238,641
Total operating revenues	6,417,677	41,735,623	48,153,300
OPERATING EXPENSES			
Power generation	-	22,844,900	22,844,900
Power and pumping	2,162,137	-	2,162,137
Transmission and distribution services	134,645	1,432,145	1,566,790
Street lighting and signal system	-	114,422	114,422
Customer counting and collection	-	809,093	809,093
Administrative and general	1,751,077	9,706,500	11,457,577
Depreciation	821,981	3,011,668	3,833,649
Miscellaneous	-	367,458	367,458
Total operating expenses	4,869,840	38,286,186	43,156,026
Operating income	1,547,837	3,449,437	4,997,274
NON-OPERATING REVENUES (EXPENSES)			
Interest income	4,111	1,608	5,719
Interest expense	(154,142)	(751,475)	(905,617)
Total nonoperating revenues (expenses)	(150,031)	(749,867)	(899,898)
Income before other financing sources (uses)	1,397,806	2,699,570	4,097,376
OTHER FINANCING USES			
Transfers out	(1,644,150)	(2,847,000)	(4,491,150)
Change in net position	(246,344)	(147,430)	(393,774)
NET POSITION, beginning of year	11,609,187	11,749,794	23,358,981
NET POSITION, end of year	\$ 11,362,843	\$ 11,602,364	\$ 22,965,207

See accompanying Notes to Financial Statements.

Incorporated Village of Freeport, New York

Fund Financial Statements Statement of Cash Flows - Proprietary Funds

	Year Ended February 28, 2022		
	Water	Electric	Total
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES			
Cash received from customers and charges for services	\$ 6,519,371	\$ 41,203,325	\$ 47,722,696
Cash payments for salaries and benefits	(1,821,654)	(12,921,382)	(14,743,036)
Cash payments to vendors	(2,261,165)	(18,942,338)	(21,203,503)
	2,436,552	9,339,605	11,776,157
CASH FLOWS USED BY NON-CAPITAL FINANCING ACTIVITIES			
Transfers to General Fund	(1,644,150)	(2,847,000)	(4,491,150)
CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(156,499)	(1,169,587)	(1,326,086)
Proceeds on bonds payable issued	1,905,000	695,000	2,600,000
Principal paid on bonds payable	(995,781)	(3,635,559)	(4,631,340)
Proceeds on bond anticipation notes issued	373,993	1,437,698	1,811,691
Principal paid on bond anticipation notes	(760,000)	(1,596,500)	(2,356,500)
Interest paid on bonds payable and bond anticipation notes	(150,647)	(783,906)	(934,553)
	216,066	(5,052,854)	(4,836,788)
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES			
Interest income	4,111	1,608	5,719
Purchase of investments	(1,924,850)	(10,697,481)	(12,622,331)
Sales of investments	904,325	9,708,742	10,613,067
	(1,016,414)	(987,131)	(2,003,545)
Net increase (decrease) in cash and equivalents	(7,946)	452,620	444,674
CASH AND EQUIVALENTS, <i>beginning of year</i>	143,874	1,767,757	1,911,631
CASH AND EQUIVALENTS, <i>end of year</i>	\$ 135,928	\$ 2,220,377	\$ 2,356,305

See accompanying Notes to Financial Statements.

Incorporated Village of Freeport, New York

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

	Year Ended February 28, 2022		
	Water	Electric	Total
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income	\$ 1,547,837	\$ 3,449,437	4,997,274
Adjustments to reconcile income from operations to net cash provided by operating activities			
Depreciation	821,981	3,011,668	3,833,649
Bad debts expense	-	367,458	367,458
(Increase) decrease in			
Accounts receivable	101,694	(899,756)	(798,062)
Inventories	(23,058)	(155,064)	(178,122)
Due from other funds	(61,742)	(106,463)	(168,205)
Prepaid expenses	(2,830)	(20,326)	(23,156)
Regulatory deposit	-	(81,032)	(81,032)
Deferred outflows of resources - net pension liability	(160,164)	(855,868)	(1,016,032)
Deferred outflows of resources - other postemployment benefit liability	232,957	1,061,421	1,294,378
Deferred outflows of resources - deferred amounts on refunding bonds	12,475	185,124	197,599
Increase (decrease) in			
Accounts payable	(374,186)	1,427,792	1,053,606
Accrued liabilities	47,987	-	47,987
Accrued interest payable	21,046	(23,694)	(2,648)
Due to other funds	449,446	2,515,137	2,964,583
Regulatory liabilities	-	450,439	450,439
Customer deposits	-	103,010	103,010
Compensated absences	7,695	39,120	46,815
Retirement incentives and other pension liabilities	61,302	(391,178)	(329,876)
Other post employment benefit liabilities	(2,525,212)	(11,499,809)	(14,025,021)
Net pension liability	(1,329,599)	(6,712,104)	(8,041,703)
Deferred inflows of resources - net pension liability	1,316,668	7,035,905	8,352,573
Deferred inflows of resources - other postemployment benefit liability	2,292,255	10,438,388	12,730,643
	888,715	5,890,168	6,778,883
Net cash provided (used) by operating activities	\$ 2,436,552	\$ 9,339,605	\$ 11,776,157

See accompanying Notes to Financial Statements.

Incorporated Village of Freeport, New York

Fund Financial Statements Statement of Fiduciary Net Position – Fiduciary Fund

	<u>February 28, 2022</u>
	<u>Private Purpose Trust</u>
ASSETS	
Investments, restricted	<u>\$ 15,394</u>
NET POSITION	
Restricted	<u>\$ 15,394</u>

Incorporated Village of Freeport, New York

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

	Year Ended February 28, 2022
	Private Purpose Trust
ADDITIONS	
Interest earnings	\$ 5
NET POSITION, <i>beginning of year</i>	15,389
NET POSITION, <i>end of year</i>	\$ 15,394

Incorporated Village of Freeport, New York

Notes to Financial Statements February 28, 2022

Note 1 - Organization and Summary of Significant Accounting Policies

The Incorporated Village of Freeport, New York (Village) was established in 1892 and is governed in accordance with its Charter, New York State Village Law, and the various other municipal laws of the State of New York. The Village Board of Trustees is the legislative body responsible for overall operations. The Village Mayor serves as the Chief Executive Officer and the Treasurer 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 GASB.

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the Village's reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency, and financial accountability. Based upon the application of these criteria, the Village has no component units that should be included within the reporting entity.

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 to promote the sound growth and development of the Village. The Village acts as a pass-through entity for funding received from the Federal U.S. Department of Housing and Urban Development (HUD) through contracts with the County of Nassau, New York (County). Prior to March 1, 2021, the Agency was previously reported as a discretely presented component unit within the Village's financial statements. The Agency has been excluded from the Village's reporting entity during the year ended February 28, 2022 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), which was created in 1957 by the New York State Legislature. Although the Authority is related to the Village, it is excluded based on the following criteria: (a) only the governing Board of the Authority is appointed by the Village Mayor; (b) the Village provides no subsidy to the Authority nor is it responsible for the operational deficits of the Authority; (c) the Authority's debt is essentially supported by the operating revenues of the Authority and is not guaranteed by the Village; (d) the Village does not appoint management of the Authority nor does it approve the Authority's budget, contracts, or hiring of staff; and (e) the Village has no oversight responsibility for funds of the Authority.

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2022

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

b. Government-Wide Financial Statements

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

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

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

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

c. Fund Financial Statements

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

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2022

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

c. Fund Financial Statements - Continued

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

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

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

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

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

Incorporated Village of Freeport, New York

Notes to Financial Statements February 28, 2022

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

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

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

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

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

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

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

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

Incorporated Village of Freeport, New York

Notes to Financial Statements February 28, 2022

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

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

Cash and Equivalents and Investments - Continued

At February 28, 2022, the Village had \$19,899,510 invested with the New York Cooperative Liquid Assets Securities System (NYCLASS), which is a short-term highly liquid investment fund, designed specifically for the public sector that operates like a money market fund. NYCLASS is subject to the Municipal Cooperation Agreement Amended and Restated as of March 28, 2019 (the Agreement) and is structured in accordance with New York State General Municipal Law (GML) (Article 3-A and Article 5-G, Section 119-n and o, and Chapter 623 of the Laws of 1998). All NYCLASS investment and custodial policies are in accordance with GML, Sections 10 and 11 (as amended by Chapter 708 and Laws of 1992). NYCLASS is rated “AAAm” by S&P Global Ratings. Participants are allowed to conduct transactions (deposits, withdrawals, or transfers) on a normal business day. There are no limits on the dollar amount or number of daily transactions, except that the total daily withdrawals may not exceed the total balance on the deposit.

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

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

Due From/To Other Funds – During the course of its operations, the Village has numerous transactions between funds to finance operations, provide services, and construct assets. Balances of interfund amounts receivable or payable have been recorded in the fund financial statements to the extent that certain transactions between funds had not been paid or received as of February 28, 2022. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

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

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2022

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

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

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

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

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.

Regulatory Assets and Liabilities – Costs to be Recovered from Future Revenues – The current rates for the sale of water and electricity in the Water and Electric funds includes amounts for postemployment benefits other than pensions that are expected to be paid out during the fiscal year, but not for the amount of the annual required contribution. The Village has deferred the excess of current annual required contributions over the amounts paid for the year ended February 28, 2022. The deferred costs will be recovered through future revenues as prescribed by the Village’s Board of Trustees for the Water Fund and the ratemaking policies of the New York State Public Service Commission (NYSPSC) for the Electric Fund. The costs to be recovered from revenues for the year ended February 28, 2022 were determined as follows:

	Water Fund	Electric Fund	Total
Costs excluded from ratemaking policies			
Annual OPEB costs recoverable from rate payers	\$ 1,108,050	\$ 5,046,008	\$ 6,154,058
Costs included in current year rates			
Amount of current year payments	(257,395)	(1,172,163)	(1,429,558)
Changes in assumptions and other inputs	(211,320)	(964,003)	(1,175,323)
Costs to be recovered from future revenues	639,335	2,909,842	3,549,177
Beginning	8,926,709	40,651,813	49,578,522
Ending	\$ 9,566,044	\$ 43,561,655	\$ 53,127,699

Other Regulatory Assets and Liabilities – The financial statements of the Electric Fund reflect the ratemaking policies and orders of the NYSPSC. Accordingly, the Electric Fund follows GASB Statement No. 62, which allows for the deferral of expenses and income on the Statement of Net Position when it’s probable that those expenses and income will be allowed in the rate setting process in a period different from the period in which they would have been reflected in the Statement of Revenues, Expenses and Changes in Net Position. These deferred regulatory assets and liabilities are then recognized in the period in which the amounts are reflected in the rates. As of February 28, 2022, the Village’s regulatory assets and liabilities, as reported in the Electric Fund, were \$579,380 and \$3,954,928, respectively.

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2022

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

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

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

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

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

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

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

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

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

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

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

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2022

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

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

Capital Assets - Continued

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

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over its fair value. There were no impairments of long-lived assets as of February 28, 2022.

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

Unearned revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The Village has reported \$261,013 for grant funds received in advance in the General Fund and \$229,241 for advance collections of fees in the Electric Fund.

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

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

The Village has reported deferred inflows of resources of \$512,955 at February 28, 2022 for real property taxes in the General Fund. In addition, the Capital Projects Fund has reported deferred inflows of resources of \$342,734 at February 28, 2022 for amounts not achieving the availability criterion for revenue recognition. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The Village has reported deferred outflows of resources within the governmental activities and the business-type activities of \$538,959 and \$1,623,698, respectively, for deferred charges on refunding bonds. These amounts result from the difference in the carrying value of the refunded debt and its reacquisition price. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt.

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2022

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

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

Deferred Outflows/Inflows of Resources - Continued

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

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

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

Deferred outflows of resources and deferred inflows of resources at February 28, 2022 in the government-wide financial statements are as follows:

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net pension liability	\$ 33,822,061	\$ 31,438,335
Length of service award program	3,757,954	1,216,207
Other postemployment benefit liability	55,832,213	44,392,684
Deferred amounts on refunding bonds	538,959	-
	\$ 93,951,187	\$ 77,047,226

	Business-type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net pension liability	\$ 7,023,474	\$ 8,596,877
Other postemployment benefit liability	17,454,951	13,878,579
Deferred amounts on refunding bonds	1,623,698	-
	\$ 26,102,123	\$ 22,475,456

Incorporated Village of Freeport, New York

Notes to Financial Statements February 28, 2022

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

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

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

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

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

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

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

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

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

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

Incorporated Village of Freeport, New York

Notes to Financial Statements February 28, 2022

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

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

Fund Balance - Continued

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

Assigned fund balance in the General Fund represents amounts constrained either by policies of the Board of Trustees for amounts assigned for balancing the subsequent year's budget or a person with delegated authority from the governing board to assign amounts for a specific intended 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 in the General Fund represents amounts not classified as nonspendable, restricted, committed, or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all other governmental funds, unassigned fund balance would be negative if the fund's liabilities and deferred inflows of resources, together with amounts already classified as nonspendable, restricted, and committed would exceed the fund's assets and deferred outflows of resources.

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

f. Encumbrances

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

Incorporated Village of Freeport, New York

Notes to Financial Statements February 28, 2022

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

g. Estimates

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

h. Fair Value Measurements

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

i. Fair Value of Financial Instruments

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

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

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

Level 2 – Inputs to the valuation methodology include:

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

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

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

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

Bond Funds and U.S. and International Equities Funds: Reported at current quoted fair value.

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2022

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

i. Fair Value of Financial Instruments - Continued

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

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

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

The following table summarizes as of February 28, 2022 the Village's restricted investments and categorization within the fair value measurement hierarchy:

	Level 1	Level 2	Level 3	Total
NYCLASS	-	\$ 19,899,510	-	\$ 19,899,510
Bond funds	3,367,282	-	-	3,367,282
U.S. and international equities funds	1,874,394	-	-	1,874,394
Cash and cash equivalents	533,920	-	-	533,920
	<u>\$ 5,775,596</u>	<u>\$ 19,899,510</u>	<u>-</u>	<u>\$ 25,675,106</u>

j. Reissuance of Financial Statements

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. Subsequent to December 21, 2022, the date these financial statements were available to be issued, it was determined that the portion of receivables redeemed from administrative services was never credited by the Electric Fund resulting in an over statement of accounts receivable and understatement of expenses of approximately \$1.024 million.

In addition, it was determined that the General Fund was netting these interfund revenues against utility charges, resulting in an equal understatement of revenues and expenditures of \$1.024 million, and no fund balance impact.

k. Subsequent Events Evaluation by Management

The Village has evaluated subsequent events for potential recognition or disclosure through December 21, 2022, the date the financial statements were available to be issued.

Note 2 - Stewardship, Compliance, and Accountability

a. Budgetary Data

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

Incorporated Village of Freeport, New York

Notes to Financial Statements February 28, 2022

Note 2 - Stewardship, Compliance, and Accountability - Continued

a. Budgetary Data - Continued

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

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

b. Property Tax Limitation

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

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

The Tax Levy Limitation Law imposes a limitation on increases in the real property tax levy, subject to certain exceptions. The Tax Levy Limitation Law permits the Village to increase its overall real property tax levy over the tax levy of the prior year by no more than the "Allowable Levy Growth Factor," which is the lesser of one and two-one hundredths or the sum of one plus the Inflation Factor;

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2022

Note 2 - Stewardship, Compliance, and Accountability - Continued

b. Property Tax Limitation - Continued

provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by (ii) the average of the National Consumer Price Indexes determined by the United States Department of Labor with the result expressed as a decimal to four places.

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

c. Capital Projects Fund Project Deficits

The unassigned deficit in the Capital Projects Fund of \$1,836,651 arises due to expenditures exceeding current financing on ongoing projects within the Village. The proceeds of bond anticipations notes issued to finance construction of capital projects are not recognized as "other financing sources." Bond anticipation notes are recognized as revenue only to the extent that they are redeemed. This deficit will be reduced and eliminated as bond anticipation notes are redeemed from interfund transfers from other governmental funds or converted to permanent financing.

Note 3 - Detailed Notes on All Funds

a. Taxes Receivable

Taxes receivable at February 28, 2022 consisted of the following:

Tax liens	<u>\$ 1,881,215</u>
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Taxes receivable in the fund financial statements are partially offset by deferred tax revenues of \$512,955 which represents an estimate of the taxes receivable which will not be collected within the first sixty days of the subsequent year.

b. Receivables

State and Federal receivables within the general fund are comprised of the following at February 28, 2022:

General Fund	
Mortgage tax	\$ 485,199
Miscellaneous	<u>17,230</u>
	<u>\$ 502,429</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2022

Note 3 - Detailed Notes on All Funds - Continued

b. Receivables - Continued

Due from other Governments are comprised of the following at February 28, 2022:

General Fund	
PILOT agreements	\$ 70,103
Fire protection agreement	6,500
Public safety grant	178,125
Other tax items	87,070
Due from Community Development Agency	11,641
Fines and forfeitures	248,765
	<u>\$ 602,204</u>
Capital Projects Fund	
Road improvements due from Nassau County	\$ 342,734
	<u>\$ 342,734</u>

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

The Village has recorded an allowance for doubtful accounts within accounts receivable of the General Fund and Electric Fund of \$89,442 and \$400,000, respectively, at February 28, 2022.

c. Interfund Transactions

The balances reflected as due from/to other funds at February 28, 2022 were as follows:

Due from Other Funds	Due to Other Funds				
	General	Capital Projects	Electric	Water	Total
General	-	\$ 232,019	\$ 5,603,511	\$ 617,432	\$ 6,452,962
Capital Projects	691,029	-	26,742	134,609	852,380
Electric	45,282	313,459	-	95,123	453,864
Water	372,552	12,493	113,827	-	498,872
	<u>\$ 1,108,863</u>	<u>\$ 557,971</u>	<u>\$ 5,744,080</u>	<u>\$ 847,164</u>	<u>\$ 8,258,078</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.

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2022

Note 3 - Detailed Notes on All Funds - Continued

c. Interfund Transactions - Continued

Interfund transfers for the year ended February 28, 2022 were as follows:

Transfers Out	Transfers In		
	General	Capital Projects	Total
General	\$ -	\$ 261,000	\$ 261,000
Capital Projects	127,814	-	127,814
Water	1,644,150	-	1,644,150
Electric	2,847,000	-	2,847,000
Total	\$ 4,618,964	\$ 261,000	\$ 4,879,964

During 2022, the Water Fund and 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.

d. Capital Assets

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

Governmental Activities	Balance March 1, 2021	Additions	Deletions	Balance February 28, 2022
Capital assets not being depreciated				
Land	\$ 5,150,221	\$ -	\$ 173,438	\$ 4,976,783
Construction in progress	185,023	24,678	183,428	26,273
Total capital assets not being depreciated	5,335,244	24,678	356,866	5,003,056
Depreciable capital assets				
Buildings	16,309,619	482,234	-	16,791,853
Improvements other than buildings	18,513,988	350,973	-	18,864,961
Machinery and equipment	18,924,140	1,180,182	-	20,104,322
Intangibles - software	1,289,184	-	-	1,289,184
Infrastructure	83,190,318	2,389,034	-	85,579,352
Total depreciable capital assets	138,227,249	4,402,423	-	142,629,672
Less accumulated depreciation				
Buildings	10,116,858	423,039	-	10,539,897
Improvements other than buildings	13,342,540	700,323	-	14,042,863
Machinery and equipment	14,033,546	783,043	-	14,816,589
Intangibles - software	1,133,856	51,030	-	1,184,886
Infrastructure	49,690,507	2,472,419	-	52,162,926
Total accumulated depreciation	88,317,307	4,429,854	-	92,747,161
Net depreciable capital assets	49,909,942	(27,431)	-	49,882,511
Total net capital assets governmental activities	<u>\$ 55,245,186</u>	<u>\$ (2,753)</u>	<u>\$ 356,866</u>	<u>\$ 54,885,567</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements February 28, 2022

Note 3 - Detailed Notes on All Funds - Continued

d. Capital Assets - Continued

Water Fund	Balance March 1, 2021	Additions	Deletions	Balance February 28, 2022
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	1,209,012	105,411	19,662	1,294,761
Infrastructure	21,273,754	51,088	-	21,324,842
Total depreciable capital assets	<u>34,142,152</u>	<u>156,499</u>	<u>19,662</u>	<u>34,278,989</u>
Less accumulated depreciation				
Buildings	3,152,224	184,544	-	3,336,768
Improvements other than buildings	1,410,877	109,118	-	1,519,995
Machinery and equipment	872,166	44,088	19,662	896,592
Infrastructure	13,035,442	484,231	-	13,519,673
Total accumulated depreciation	<u>18,470,709</u>	<u>821,981</u>	<u>19,662</u>	<u>19,273,028</u>
Net depreciable capital assets	<u>15,671,443</u>	<u>(665,482)</u>	<u>-</u>	<u>15,005,961</u>
Total Water Fund net capital assets	<u>\$ 15,757,424</u>	<u>\$ (665,482)</u>	<u>\$ -</u>	<u>\$ 15,091,942</u>
Electric Fund	Balance March 1, 2021	Additions	Deletions	Balance February 28, 2022
Capital assets not being depreciated				
Land	\$ 84,239	\$ -	\$ -	\$ 84,239
Construction in progress	414,035	521,290	-	935,325
Total capital assets not being depreciated	<u>498,274</u>	<u>521,290</u>	<u>-</u>	<u>1,019,564</u>
Depreciable capital assets				
Buildings	11,889,887	235,017	-	12,124,904
Machinery and equipment	108,610,600	413,280	-	109,023,880
Total depreciable capital assets	<u>120,500,487</u>	<u>648,297</u>	<u>-</u>	<u>121,148,784</u>
Less accumulated depreciation				
Buildings	8,403,270	225,863	-	8,629,133
Machinery and equipment	59,669,529	2,785,805	-	62,455,334
Total accumulated depreciation	<u>68,072,799</u>	<u>3,011,668</u>	<u>-</u>	<u>71,084,467</u>
Net depreciable capital assets	<u>52,427,688</u>	<u>(2,363,371)</u>	<u>-</u>	<u>50,064,317</u>
Total Electric Fund net capital assets	<u>\$ 52,925,962</u>	<u>\$ (1,842,081)</u>	<u>\$ -</u>	<u>\$ 51,083,881</u>

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

Governmental activities	
General government support	\$ 218,510
Public safety	696,241
Transportation	1,981,064
Culture and recreation	916,840
Home and community services	617,199
	<u>617,199</u>
Total depreciation expense for governmental activities	<u>\$ 4,429,854</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements February 28, 2022

Note 3 - Detailed Notes on All Funds - Continued

d. Capital Assets - Continued

Governmental activities	
Water fund	\$ 821,981
Electric fund	<u>3,011,668</u>
Total depreciation expense for business-type activities	<u><u>\$ 3,833,649</u></u>

e. Accrued Liabilities

Accrued liabilities at February 28, 2022 were as follows:

	Governmental Activities	Business- Type Activities	Total
Payroll and employee benefits	\$ 984,925	\$ 85,607	\$ 1,070,532

f. Bond Anticipation Notes

The schedule of changes in bond anticipation notes within the fund financial statements during the year ended February 28, 2022 is as follows:

Purpose	Original Issue Date	Maturity Date	Interest Rate	Balance March 1, 2021	New Issues	Redemptions	Balance February 28, 2022
Capital Projects Fund							
Various public improvements	4/29/2020	4/29/2021	2.10%	\$ 2,725,000	-	\$ 2,725,000	-
Various public improvements	4/29/2020	4/29/2021	2.05%	3,580,000	-	3,580,000	-
Various public improvements	12/15/2020	4/29/2021	1.00%	2,411,000	-	2,411,000	-
Various public improvements	2/24/2021	4/29/2021	1.50%	700,000	-	700,000	-
Various public improvements	4/28/2021	4/28/2022	1.50%	-	3,060,500	-	3,060,500
Various public improvements	4/28/2021	4/28/2022	1.00%	-	700,000	-	700,000
Various public improvements	11/16/2021	11/16/2022	1.50%	-	4,059,885	-	4,059,885
Various public improvements	2/23/2022	4/28/2022	0.97%	-	648,500	-	648,500
Various public improvements	2/23/2022	4/28/2022	1.17%	-	500,000	-	500,000
Total				<u>\$ 9,416,000</u>	<u>\$ 8,968,885</u>	<u>\$ 9,416,000</u>	<u>\$ 8,968,885</u>
Water Fund							
Various public improvements	12/15/2020	4/29/2021	1.00%	\$ 760,000	\$ -	\$ 760,000	-
Various public improvements	11/16/2021	11/16/2022	1.50%	-	312,493	-	312,493
Various public improvements	2/23/2022	4/28/2022	0.97%	-	61,500	-	61,500
				<u>\$ 760,000</u>	<u>\$ 373,993</u>	<u>\$ 760,000</u>	<u>\$ 373,993</u>
Electric Fund							
Various public improvements	4/29/2020	4/29/2021	2.10%	\$ 744,690	\$ -	\$ 744,690	-
Various public improvements	4/29/2020	4/29/2021	2.05%	851,810	-	851,810	-
Various public improvements	4/28/2021	4/28/2022	1.50%	-	763,698	-	763,698
Various public improvements	11/16/2021	11/16/2022	1.50%	-	674,000	-	674,000
Total				<u>\$ 1,596,500</u>	<u>\$ 1,437,698</u>	<u>\$ 1,596,500</u>	<u>\$ 1,437,698</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements February 28, 2022

Note 3 - Detailed Notes on All Funds - Continued

f. Bond Anticipation Notes - Continued

The schedule of changes in bond anticipation notes within the government-wide governmental activities during the year ended February 28, 2022 is as follows:

Purpose	Original Issue Date	Maturity Date	Interest Rate	Balance March 1, 2021	New Issues	Redemptions	Balance February 28, 2022
Governmental Activities							
Various public improvements	12/15/2020	4/29/2021	1.00%	\$ 1,750,000	-	\$ 1,750,000	-
Various public improvements	2/24/2021	4/29/2021	1.50%	515,000	-	515,000	-
Various public improvements	2/23/2022	4/28/2022	1.50%	-	600,000	-	600,000
Total				<u>\$ 2,265,000</u>	<u>\$ 600,000</u>	<u>\$ 2,265,000</u>	<u>\$ 600,000</u>

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

g. Long-Term Liabilities

The follow table summarizes the changes in the Village's long-term liabilities for the year ended February 28, 2022:

	Year Ended February 28, 2022				
	Balance March 1, 2021	New Issues/ Additions	Maturities, Refundings/ Payments	Balance February 28, 2022	Due Within On Year
Governmental activities					
Bonds payable	\$ 30,765,451	\$ 7,012,350	\$ 4,933,659	\$ 32,844,142	\$ 5,538,899
Plus unamortized premium on bonds	1,239,188	79,737	189,384	1,129,541	190,049
	<u>32,004,639</u>	<u>7,092,087</u>	<u>5,123,043</u>	<u>33,973,683</u>	<u>5,728,948</u>
Other non-current liabilities					
Bond anticipation notes payable	2,265,000	600,000	2,265,000	600,000	600,000
Claims payable	6,006,776	787,293	2,031,185	4,762,884	1,785,520
Tax certiorari payable	884,290	180,158	39,739	1,024,709	21,598
Compensated absences	23,961,359	3,253,206	2,396,146	24,818,419	2,481,842
Retirement incentives and other pension liabilities	1,994,764	-	664,833	1,329,931	581,306
Net pension liability	31,760,112	-	24,552,009	7,208,103	-
Pension liability - length of service award program	15,012,175	1,329,072	1,187,969	15,153,278	-
Other postemployment benefit obligations	214,878,932	19,684,667	53,187,242	181,376,357	-
	<u>296,763,408</u>	<u>25,834,396</u>	<u>86,324,123</u>	<u>236,273,681</u>	<u>5,470,266</u>
Governmental activities long-term liabilities	<u>\$ 328,768,047</u>	<u>\$ 32,926,483</u>	<u>\$ 91,447,166</u>	<u>\$ 270,247,364</u>	<u>\$ 11,199,214</u>
Business-type activities					
Year Ended February 28, 2022					
	Balance March 1, 2021	New Issues/ Additions	Maturities, Refundings/ Payments	Balance February 28, 2022	Due Within On Year
Business-type activities					
Bonds payable	\$ 43,749,535	\$ 2,600,000	\$ 4,631,340	\$ 41,718,195	\$ 4,923,452
Plus unamortized premium on bonds	440,596	11,281	40,217	411,660	71,513
	<u>44,190,131</u>	<u>2,611,281</u>	<u>4,671,557</u>	<u>42,129,855</u>	<u>4,994,965</u>
Other non-current liabilities					
Compensated absences	3,214,433	437,505	321,443	3,330,495	361,699
Retirement incentives and other pension liabilities	673,240	-	234,274	438,966	191,870
Net pension liability	8,235,174	-	8,206,552	28,622	-
Other postemployment benefit obligations	67,179,908	6,154,058	16,629,902	56,704,064	-
	<u>79,302,755</u>	<u>6,591,563</u>	<u>25,392,171</u>	<u>60,502,147</u>	<u>553,569</u>
Business-type activities long-term liabilities	<u>\$ 123,492,886</u>	<u>\$ 9,202,844</u>	<u>\$ 30,063,728</u>	<u>\$ 102,632,002</u>	<u>\$ 5,548,534</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2022

Note 3 - Detailed Notes on All Funds - Continued

h. General Obligation Bonds Payable

General obligation bonds payable at February 28, 2022 are comprised of the following:

Purpose	Original Issue Amount	Final Maturity	Interest Rates	Governmental Activities	Water Fund	Electric Fund
2013 Series A	5,965,000	5/1/2022	2.000%	\$ 730,000	-	-
2014 Series A	6,925,000	5/2/2028	3.000%	2,920,000	535,000	-
2014 Series A - Refunding	8,490,000	5/3/2024	2.125% - 4.000%	962,800	197,200	-
2015 Series A - Refunding	8,390,000	2/28/2026	2.250% - 5.000%	1,786,412	1,689,975	103,606
2016 Series A - Refunding	13,730,000	5/1/2028	3.000% - 5.000%	6,074,326	379,902	2,120,771
2016 Series B - Refunding	1,350,000	5/1/2023	1.750% - 2.250%	-	-	525,000
2017 Series A	11,530,500	11/1/2031	2.125% - 3.000%	7,830,846	130,590	818,568
2019 Series A	5,880,000	4/15/2037	1.500% - 3.000%	4,230,208	1,056,399	138,384
2020 Series A - Refunding	33,465,000	5/1/2032	0.190% - 1.819%	1,297,200	464,700	30,958,100
2021 Series A	7,512,350	4/15/2041	2.000% - 2.250%	4,912,350	1,905,000	695,000
2021 Series B	2,100,000	4/15/2029	1.000% - 1.780%	2,100,000	-	-
				<u>32,844,142</u>	<u>6,358,766</u>	<u>35,359,429</u>
Unamortized premium on bonds				1,129,541	132,435	279,225
				<u>\$ 33,973,683</u>	<u>\$ 6,491,201</u>	<u>\$ 35,638,654</u>

The annual requirements to amortize all bonded debt outstanding within the governmental activities as of February 28, 2022 are as follows:

Year	Governmental Activities		
	Principal	Interest	Total
2023	\$ 5,538,899	\$ 862,003	\$ 6,400,902
2024	4,114,300	681,355	4,795,655
2025	4,271,221	561,340	4,832,561
2026	3,867,606	439,361	4,306,967
2027	2,114,650	354,072	2,468,722
2028-2032	8,673,924	1,042,643	9,716,567
2033-2037	2,751,042	349,615	3,100,657
2038-2042	1,512,500	67,385	1,579,885
	<u>\$ 32,844,142</u>	<u>\$ 4,357,774</u>	<u>\$ 37,201,916</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2022

Note 3 - Detailed Notes on All Funds - Continued

h. General Obligation Bonds Payable - Continued

The annual requirements to amortize all bonded debt outstanding within the business-type activities as of February 28, 2022 are as follows:

Year	Business-Type Activities		
	Principal	Interest	Total
2023	\$ 4,923,452	\$ 656,041	\$ 5,579,493
2024	4,770,700	569,933	5,340,633
2025	4,583,780	502,439	5,086,219
2026	4,387,394	429,220	4,816,614
2027	3,450,350	367,902	3,818,252
2028-2032	17,711,070	1,010,962	18,722,032
2033-2037	1,218,958	147,780	1,366,738
2038-2042	672,491	30,907	703,398
	\$ 41,718,195	\$ 3,715,184	\$ 45,433,379

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

i. Claims Payable and Tax Certiorari Payables

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

Incorporated Village of Freeport, New York

Notes to Financial Statements February 28, 2022

Note 3 - Detailed Notes on All Funds - Continued

i. Claims Payable and Tax Certiorari Payables - Continued

An analysis of the unpaid claims liabilities is as follows:

	Workers' Compensation Benefits	General Liability	Total
Balance - beginning of year	\$ 4,288,908	\$ 1,717,868	\$ 6,006,776
Provision for claims and claims adjustment expenses	242,185	545,108	787,293
Claims and claims adjustment expenses paid	(947,424)	(1,083,761)	(2,031,185)
Balance - end of year	\$ 3,583,669	\$ 1,179,215	\$ 4,762,884
Due within one year	\$ 848,740	\$ 936,780	\$ 1,785,520

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

The Village's tax certiorari payable includes an estimated liability of \$1,024,709 for tax certiorari refunds, which are not due and payable at year end. These amounts have been recorded as an expense and liability in the government-wide financial statements.

j. Compensated Absences

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

Estimated vacation, sick leave and compensatory absences accumulated by governmental and business-type activities employees have been reported in the Statement of Net Position. Payment of vacation time and sick leave is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, managements believes that sufficient resources will be made available for the payments of vacation, sick leave and compensatory absences when such payments become due. As of February 28, 2022, the value of compensated absences in the governmental activities and business type activities was \$24,818,419 and \$3,330,495, respectively.

k. Retirement Incentives and Other Pension Liabilities

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

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2022

Note 3 - Detailed Notes on All Funds - Continued

k. Retirement Incentives and Other Pension Liabilities - Continued

The Village has elected to amortize the maximum allowable ERS and PFRS contributions in each of the fiscal years since this option was first offered which is offered in the table below:

	Original Amount Amortized	Current Year Payments	Balance Due	Due Within One Year
2012 ERS	\$ 810,977	\$ 95,177	\$ -	\$ -
2012 PFRS	473,278	55,544	-	-
2013 ERS	1,066,045	117,799	121,333	121,333
2013 PFRS	745,692	82,400	84,872	84,872
2014 ERS	1,498,544	163,109	344,396	169,095
2014 PFRS	1,247,658	135,801	286,738	140,785
2015 ERS	658,090	68,670	219,263	70,833
2015 PFRS	689,872	71,986	229,853	74,254
2016 ERS	596,628	60,364	261,464	62,301
2016 PFRS	362,126	36,639	158,697	37,814
2017 PFRS	117,786	11,618	62,281	11,889
	<u>\$ 8,266,696</u>	<u>\$ 899,107</u>	<u>\$ 1,768,897</u>	<u>\$ 773,176</u>

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

Fund	ERS	PFRS	Total
General	\$ 270,845	\$ 393,988	\$ 664,833
Water	43,895	-	43,895
Electric	190,379	-	190,379
	<u>\$ 505,119</u>	<u>\$ 393,988</u>	<u>\$ 899,107</u>

l. Pension Plans

Plan Description and Benefits Provided

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

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2022

Note 3 - Detailed Notes on All Funds - Continued

I. Pension Plans - Continued

Plan Description and Benefits Provided - 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 noncontributory plan. Members of the System who joined after July 26, 1976 are enrolled in a contributory plan which requires a 3% contribution of their salary. As a result of Article 19 of the NYSRSSL, eligible Tier 3 and Tier 4 employees with a membership date after July 26, 1976 who have ten or more years of membership or credited service with the System are not required to contribute. Generally, members of the System may retire at 55; however, members of Tiers 2, 3, 4, and 5 will receive a reduced benefit if they retire before 62 with less than 30 years of service. Tier 5 members must be 62 years of age with at least 10 years of service credit to retire with full benefits, and employees with less than five years of service may withdraw and obtain a refund, including interest, of the accumulated employee contributions. The full benefit age for Tier 6 is 63 for System members. Tier 6 members with 10 years of service or more can retire as early as age 55 with reduced benefits. The contribution rate varies from 3% to 6% depending on salary. Subsequent to March 31, 2022, legislation was passed that reduced the number of years of service credit from 10 years to 5 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, 2021 was approximately 14.6% and 24.4% of payroll, respectively. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

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

	<u>ERS</u>	<u>PFRS</u>
2022	\$ 3,255,646	\$ 5,212,704
2021	2,728,441	4,344,169
2020	2,661,144	3,916,278

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

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

At February 28, 2022, the Village reported a liability of \$7,208,103 in the governmental activities statement of net position and \$28,622 in the business-type activities statement of net position for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2022

Note 3 - Detailed Notes on All Funds - Continued

I. Pension Plans - Continued

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

At February 28, 2022, the Village's proportion was 0.0633307% in the Employee Retirement System and 0.4131639% in the Police and Fire Retirement System.

For the year ended February 28, 2022, the Village recognized pension expense of \$5,187,028 in the governmental activities and \$587,828 in the business-type activities. At February 28, 2022, 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	\$ 420,586	\$ -	\$ 1,591,798	\$ -
Changes of assumptions	6,332,107	119,426	17,624,919	-
Net differences between projected and actual investment earnings on pension plan investments	-	9,892,729	-	21,093,742
Changes in proportion and differences between employer contributions and proportionate share of contributions	68,106	331,535	1,376,445	903
Village contributions subsequent to the measurement date	1,629,788	-	4,778,312	-
Total	\$ 8,450,587	\$ 10,343,690	\$ 25,371,474	\$ 21,094,645

	Business-Type Activities	
	ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 349,558	\$ -
Changes of assumptions	5,262,758	99,257
Net differences between projected and actual investment earnings on pension plan investments	-	8,222,074
Changes in proportion and differences between employer contributions and proportionate share of contributions	56,604	275,546
Village contributions subsequent to the measurement date	1,354,554	-
Total	\$ 7,023,474	\$ 8,596,877

Incorporated Village of Freeport, New York

Notes to Financial Statements February 28, 2022

Note 3 - Detailed Notes on All Funds - Continued

I. Pension Plans - Continued

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

Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending February 28, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending February 28,	Governmental Activities		Business- Type Activities
	ERS	PFRS	ERS
2023	\$ (678,161)	\$ (381,892)	\$ (563,636)
2024	(286,626)	293,818	(238,221)
2025	(602,051)	(440,966)	(500,378)
2026	(1,956,053)	(3,565,541)	(1,625,722)
2027	-	3,593,098	-
Total	\$ (3,522,891)	\$ (501,483)	\$ (2,927,957)

Actuarial Assumptions

The total pension liability at March 31, 2021 was determined by using an actuarial valuation as of April 1, 2020, with update procedures used to roll forward the total pension liability to March 31, 2021. Significant actuarial assumptions used in the valuation were as follows:

Actuarial Cost Method	Entry age normal
Inflation Rate	2.7 percent
Salary Scale	
ERS	4.2 percent, indexed by service
PFRS	5.0 percent, indexed by service
Investment rate of return, including inflation	5.9 percent compounded annually, net of expenses
Cost of living adjustment	1.4 percent
Decrement	Based on FY 2015-2020 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, 2020 valuation is based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015.

Incorporated Village of Freeport, New York

Notes to Financial Statements February 28, 2022

Note 3 - Detailed Notes on All Funds - Continued

I. 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 by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2021 are summarized below.

Asset Type	Target Allocation	Long-Term Expected Real Rate
Domestic equity	32.00%	4.05%
International equity	15.00%	6.30%
Private equity	10.00%	6.75%
Real estate	9.00%	4.95%
Opportunistic/absolute return strategies	3.00%	4.50%
Credit	4.00%	3.63%
Real assets	3.00%	5.95%
Fixed income	23.00%	0.00%
Cash	1.00%	0.50%
	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 that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Village's proportionate share of the net pension liability calculated using the discount rate of 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 1 percentage point lower or 1 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)			
Business-Type Activities	\$ 7,944,505	\$ 28,622	\$ (7,271,674)
Governmental Activities	40,065,227	7,208,103	(20,889,080)
	\$ 48,009,732	\$ 7,236,725	\$ (28,160,754)

Incorporated Village of Freeport, New York

Notes to Financial Statements February 28, 2022

Note 3 - Detailed Notes on All Funds - Continued

I. Pension Plans - Continued

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2021 were as follows:

	(Dollars in Thousands)		
	Employee's Retirement System	Police and Fire Retirement System	Total
Employers' total pension liability	\$ 220,680,157	\$ 41,236,775	\$ 261,916,932
Plan net position	<u>(220,580,583)</u>	<u>(39,500,500)</u>	<u>(260,081,083)</u>
Employers' net pension liability	<u>\$ 99,574</u>	<u>\$ 1,736,275</u>	<u>\$ 1,835,849</u>
Ratio of plan net position to the employers' total pension liability	99.95%	95.79%	99.30%

m. Other Postemployment Benefit Obligations Payable

In addition to providing pension benefits, the Village provides certain health care benefits for retired employees through a single employer defined benefit plan. A summary of active employees and retired employees covered under this benefit plan as of February 28, 2022 is as follows:

Active employees	336
Retired employees	<u>343</u>
	<u>679</u>

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

At February 28, 2022, the Village reported a liability of \$181,376,357 and \$56,704,064 for its OPEB liability in the governmental activities and business-type activities, respectively. The OPEB liability was measured as of February 28, 2022 by an actuarial valuation using census data information as of that date. For the year ended February 28, 2022, the Village recognized OPEB expense of \$19,684,667 and \$6,154,058 in the governmental activities and business-type activities, respectively.

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2022

Note 3 - Detailed Notes on All Funds - Continued

m. Other Postemployment Benefit Obligations Payable - Continued

At February 28, 2022, the Village reported deferred outflows of resources of resources and deferred inflows of resources related to OPEB from the following sources:

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,003,201	\$ 2,717,930
Change of assumptions	47,829,012	41,674,754
Total	\$ 55,832,213	\$ 44,392,684

	Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,502,059	\$ 849,712
Change of assumptions	14,952,892	13,028,867
Total	\$ 17,454,951	\$ 13,878,579

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

	Governmental Activities	Business Type-Activities	Total
Year ending February 28,			
2023	\$ 4,395,379	\$ 1,374,137	\$ 5,769,516
2024	4,395,379	1,374,137	5,769,516
2025	4,538,946	1,419,021	5,957,967
2026	4,540,270	1,419,435	5,959,705
2027	(649,797)	(203,148)	(852,945)
Thereafter	(5,780,648)	(1,807,210)	(7,587,858)
	\$ 11,439,529	\$ 3,576,372	\$ 15,015,901

Incorporated Village of Freeport, New York

Notes to Financial Statements February 28, 2022

Note 3 - Detailed Notes on All Funds - Continued

m. Other Postemployment Benefit Obligations Payable - Continued

The total OPEB liability at February 28, 2022 was determined using the following actuarial assumptions:

Assumptions	Factor
Discount rate	2.83%
Valuation date	March 31, 2021
Salary Scale	3.00% per annum
Mortality	RP-2006 with MP-2020 projection
Marital rate	70% of males and 50% of females are assumed married. Wife is assumed to be the same age as the husband.
Inflation rate	3.00% per annum
Health care cost trend rate assumed increase	Year 1 - 8.0%, Year 2 - 7.5%, Year 3 - 7.0%, Year 4 - 6.5% Year 5 - 6.0%, Year 6 - 5.5%, Year 7+ - 5.0%

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

Changes in the net OPEB liability are as follows:

	Governmental Activities	Business-type Activities	Total
Balance as of February 28, 2021	\$ 214,878,932	\$ 67,179,908	\$ 282,058,840
Changes for the year			
Service cost	8,956,239	2,800,007	11,756,246
Interest	2,572,415	804,220	3,376,635
Difference between expected and actual experience	8,156,013	2,549,831	10,705,844
Change in assumptions	(48,620,553)	(15,200,344)	(63,820,897)
Benefit payments	(4,566,689)	(1,429,558)	(5,996,247)
Net changes	(33,502,575)	(10,475,844)	(43,978,419)
Balance as of February 28, 2022	\$ 181,376,357	\$ 56,704,064	\$ 238,080,421

The following presents the OPEB liability of the Plan as of February 28, 2022 using current health care cost trend rates as well as what the OPEB liability would be if it were calculated using health care cost trend rates 1% lower or 1% higher than the current rates:

	1% Decrease	Current Rates	1% Increase
OPEB liability			
Business-Type Activities	\$ 45,637,290	\$ 56,704,064	\$ 70,257,995
Governmental Activities	145,977,640	181,376,357	224,730,617
	<u>\$ 191,614,930</u>	<u>\$ 238,080,421</u>	<u>\$ 294,988,612</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2022

Note 3 - Detailed Notes on All Funds - Continued

m. Other Postemployment Benefit Obligations Payable - Continued

The following presents the OPEB liability of the plan as of February 28, 2022 calculated using the discount rate of 2.83%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 1.83%	Current Discount 2.83%	1% Increase 3.83%
OPEB liability			
Business-Type Activities	\$ 66,087,113	\$ 56,704,064	\$ 47,321,015
Governmental Activities	211,389,431	181,376,357	151,363,284
	<u>\$ 277,476,544</u>	<u>\$ 238,080,421</u>	<u>\$ 198,684,299</u>

n. Length of Service Award Program

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

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

At the December 31, 2021 measurement date, the following participants were covered by the benefits terms:

Inactive participants currently receiving benefit payments	82
Inactive participants entitled to but not yet receiving benefit payments	108
Active participants	230
	<u>420</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2022

Note 3 - Detailed Notes on All Funds - Continued

n. Length of Service Award Program - Continued

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

The total pension liability at the December 31, 2021 measurement date was determined using an actuarial valuation as of that date.

The total pension liability in the December 31, 2021 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 percent
Salary Scale	None assumed

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

The discount rate used to measure the total pension liability was 2.24%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2021. In describing this index, S&P Down Jones Indices notes that the index consists of bonds in the S&P Municipal Bond Index with maturity of 20 years and a rating of at least Aa2 by Moody's Investors Services, AA by Fitch or AA by Standard & Poor's Rating Services.

The Village's change in the total pension liability for the Program's year ended December 31, 2021 is as follows:

Total pension liability - length of service award program beginning of year	<u>\$ 15,012,175</u>
Changes for the year	
Service cost	336,208
Interest	291,883
Changes of assumptions or other inputs	(738,171)
Changes of benefit terms	589,584
Differences between expected and actual experience	111,397
Benefit payments	<u>(449,798)</u>
Net changes	<u>141,103</u>
Total pension liability - length of service award program end of year	<u><u>\$ 15,153,278</u></u>

Incorporated Village of Freeport, New York

Notes to Financial Statements February 28, 2022

Note 3 - Detailed Notes on All Funds - Continued

n. Length of Service Award Program - Continued

The following presents the total pension liability of the Village as of the December 31, 2021 measurement date, calculated using the discount rate of 2.24%, as well as what the Village's total pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point high than the current rate:

	1% Decrease 1.24%	Current Discount 2.24%	1% Increase 3.24%
Total pension liability - length of service award program	\$ 17,790,543	\$ 15,153,278	\$ 13,028,363

At February 28, 2022, the Village reported deferred outflows of resources and deferred inflows of resources related to the Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 342,095	\$ -
Changes of assumptions or other inputs	3,322,177	1,216,207
Benefits payments and administrative expenses subsequent to the measurement date	93,682	-
	\$ 3,757,954	\$ 1,216,207

Benefit payments and administrative expenses subsequent to the measurement date will be recognized as a reduction of the Program during the year ended February 28, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Program will be recognized in pension expense as follows:

Year ending February 28,	
2023	\$ 299,330
2024	299,330
2025	299,330
2026	299,330
2027	299,330
Thereafter	951,415
	\$ 2,448,065

Incorporated Village of Freeport, New York

Notes to Financial Statements February 28, 2022

Note 3 - Detailed Notes on All Funds - Continued

o. Fund Balance

A summary of the Village's governmental fund balances as of February 28, 2022 is as follows:

	General Fund	Capital Projects Fund	Total
Nonspendable			
Inventories	\$ 332,202	\$ -	\$ 332,202
Prepaid expenditures	622,859	-	622,859
Total nonspendable	955,061	-	955,061
Restricted			
Debt service	882,384	-	882,384
Pension benefits	5,775,596	-	5,775,596
Total restricted	6,657,980	-	6,657,980
Assigned			
Purchases on order			
General government support	38,984	-	38,984
Unassigned	13,828,331	(1,836,651)	11,991,680
Total fund balances	\$ 21,480,356	\$ (1,836,651)	\$ 19,643,705

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 settlement of such claims and lawsuits would not be material to the Village's financial position.

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

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

b. Other Contingencies

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

Incorporated Village of Freeport, New York

Notes to Financial Statements February 28, 2022

Note 4 - Contingencies - Continued

c. Risk Management

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

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

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

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

The Village estimates its potential claims under its self-insurance risk management program after consulting with outside professionals and legal counsel. The Village has recorded the liability for these claims in its government-wide financial statements. The estimated outstanding workers' compensation and general liability claims outstanding at February 28, 2022 were \$3,583,669 and \$1,179,215, respectively.

d. Tax Abatements

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

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

The Village has no material tax abatements as of and for the year ending February 28, 2022.

Note 5 - Subsequent Events

In April 2022, the Village issued Series 2022 A public improvement serial bonds totaling \$2,791,500. The Series 2022 A public improvement serial bonds have an interest rate of 3.50% and mature in April 2036.

In April 2022, the Village issued Series 2022 C bond anticipation notes totaling \$8,399,250. The Series 2022 C bond anticipation notes have an interest rate of 2.23% and mature in April 2023.

In April 2022, the Village issued Series 2022 D bond anticipation notes totaling \$1,222,305. The Series 2022 D bond anticipation notes have an interest rate of 2.75% and mature in April 2023.

In November 2022, the Village issued Series 2022 E bond anticipation notes totaling \$5,907,825. The Series 2022 E bond anticipation notes have an interest rate of 5.00% and mature in November 2023.

Incorporated Village of Freeport, New York

Notes to Financial Statements February 28, 2022

Note 6 - Accounting Standards Issued But Not Yet Implemented

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

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

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

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

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2022

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

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

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

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

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2022

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

GASB Statement No. 99, *Omnibus 2022*. This statement addresses a variety of topics. The requirements of this statement related to the extension of the sue of LIBOR, accounting for Supplement Nutrition Assistance Program distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of the provisions of GASB Statement No. 34, *Basis Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended, and terminology updates related to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53), and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, were effective upon issuance of the statement in April 2022. The requirements of this statement related to leases, PPPs, and SBITAs are effective for reporting periods beginning after June 15, 2022. The requirements of this statement related to financial guarantees and the classification of reporting of derivative instruments within the scope of GASB 53 are effective for reporting periods beginning after June 15, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections*. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. This statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and change to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting – understandability, reliability, relevance, timeliness, consistency, and comparability. This statement also addresses corrections of errors in previously issued financial statements. This statement prescribes the accounting and financial reporting for (1) each type of accounting changes and (2) error corrections. This statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. This statement requires disclosures in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about quantitative effects of beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information and supplementary information. For periods that are earlier than those included in the basic financial statements, information presented as required supplementary information and supplementary information should be restated for error corrections, if practicable, but not for changes in accounting principles. The requirements of this statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2022

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

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. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. This statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

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

Incorporated Village of Freeport, New York

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

	Governmental Activities			
	2022	2021	2020	2019
Beginning of year	\$ 214,878,932	\$ 168,270,567	\$ 122,346,544	\$ 122,140,697
Changes for the year				
Service cost	8,956,239	7,616,321	5,153,679	5,485,270
Interest	2,572,415	4,462,062	5,255,789	4,840,743
Difference between expected and actual experience	8,156,013	1,516,629	-	-
Change in assumptions	(48,620,553)	36,917,294	39,684,835	(6,299,261)
Benefit payments	(4,566,689)	(3,903,941)	(4,170,280)	(3,820,905)
Net changes	(33,502,575)	46,608,365	45,924,023	205,847
End of year	<u>\$ 181,376,357</u>	<u>\$ 214,878,932</u>	<u>\$ 168,270,567</u>	<u>\$ 122,346,544</u>
Covered payroll	\$ 29,567,471	\$ 30,282,950	\$ 28,085,796	\$ 28,640,343
OPEB liability as a percentage of covered payroll	613.43%	709.57%	599.13%	427.18%
	Business-type Activities			
	2022	2021	2020	2019
Beginning of year	\$ 67,179,908	\$ 56,616,762	\$ 40,484,600	\$ 40,961,026
Changes for the year				
Service cost	2,800,007	1,726,135	1,293,541	1,392,425
Interest	804,220	1,011,265	1,724,367	1,607,737
Difference between expected and actual experience	2,549,831	343,723	-	(2,277,153)
Change in assumptions	(15,200,344)	8,366,794	14,374,766	-
Benefit payments	(1,429,558)	(884,771)	(1,260,512)	(1,199,435)
Net changes	(10,475,844)	10,563,146	16,132,162	(476,426)
End of year	<u>\$ 56,704,064</u>	<u>\$ 67,179,908</u>	<u>\$ 56,616,762</u>	<u>\$ 40,484,600</u>
Covered payroll	\$ 8,305,843	\$ 9,467,684	\$ 9,449,822	\$ 9,477,120
OPEB liability as a percentage of covered payroll	682.70%	709.57%	599.13%	427.18%

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

Incorporated Village of Freeport, New York

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
New York State and Local Employees' Retirement System							
Village's proportion of the net pension liability	0.0633307%	0.0685169%	0.0697882%	0.0709855%	0.0716054%	0.0721038%	0.0716503%
Village's proportionate share of the net pension liability	\$ 63,061	\$ 18,143,667	\$ 4,944,704	\$ 2,291,019	\$ 6,728,204	\$ 11,572,857	\$ 2,420,522
Village's covered payroll	\$ 19,840,111	\$ 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 as a percentage of its covered payroll	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	99.95%	86.39%	96.27%	98.24%	90.70%	90.70%	97.90%
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
New York State and Local Police and Fire Retirement System							
Village's proportion of the net pension liability	0.4131639%	0.4088284%	0.4020716%	0.3914940%	0.3824851%	0.3836998%	0.3546445%
Village's proportionate share of the net pension liability	\$ 7,173,664	\$ 21,851,619	\$ 6,742,995	\$ 3,957,053	\$ 7,927,584	\$ 11,360,534	\$ 976,193
Village's covered payroll	\$ 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	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	95.79%	84.86%	95.09%	96.93%	93.50%	90.20%	99.00%

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

Incorporated Village of Freeport, New York

Required Supplementary Information Schedule of Pension Contributions Years Ended February 28

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
New York State and Local Employees' Retirement System							
Contractually required contribution	\$ 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	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	19,840,111	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	16.41%	14.36%	14.28%	14.53%	15.33%	17.21%	16.87%
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
New York State and Local Police and Fire Retirement System							
Contractually required contribution	\$ 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	5,212,704	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	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	27.83%	23.73%	21.82%	22.88%	22.54%	21.88%	24.48%

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Incorporated Village of Freeport, New York

Required Supplementary Information Schedule of Length of Service Award Program Liability

Measurement date as of December 31,	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	336,208	255,753	234,981	268,143	237,614
Interest	291,883	385,915	396,558	362,130	378,221
Changes of assumptions or other inputs	(738,171)	2,836,067	648,368	(826,583)	931,109
Changes of benefit terms	589,584	-	-	-	-
Differences between expected and actual experience	111,397	166,217	82,082	54,763	16,671
Benefit payments	(449,798)	(427,814)	(450,831)	(330,506)	(327,428)
Net change in total pension liability	<u>141,103</u>	<u>3,216,138</u>	<u>911,158</u>	<u>(472,053)</u>	<u>1,236,187</u>
Total pension liability, beginning	15,012,175	11,796,037	10,884,879	11,356,932	10,120,745
Total pension liability, ending	15,153,278	15,012,175	11,796,037	10,884,879	11,356,932
Covered payroll	None	None	None	None	None
Total pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

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