



Incorporated Village of Freeport, New York

Financial Report

Year Ended February 28, 2023

Incorporated Village of Freeport, New York

Financial Report

Year Ended February 28, 2023

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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, 2023, 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, 2023, 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 Matters

Adoption of New Accounting Standard

As discussed in Note 1j to the financial statements, the Village adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, effective March 1, 2022. Our opinions are not modified with respect to this matter.

Reissuance of Financial Statements

As discussed in Note 1k to the financial statements, the February 28, 2023 financial statements of the general fund, electric fund, and business-type activities have been reissued to correct a misstatement. 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 September 18, 2023 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
September 18, 2023, except as to Note 1k, which is as of December 30, 2024



Incorporated Village of Freeport, New York

Management's Discussion and Analysis February 28, 2023

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, 2023. 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 \$153,757,176 at February 28, 2023, an increase of \$1,571,505 from the prior year.
- The Village's governmental activities composed \$1,414,687 of the total increase in net position, while the business-type activities increased net position by \$156,818. Changes in the Village's net pension asset/liability and other postemployment benefit obligations benefited the governmental activities by \$4,720,649.
- As of February 28, 2023, the Village's governmental funds reported combined ending fund balances of \$18,184,696. Of this amount, \$983,608 is not in spendable form, \$5,652,835 is restricted for debt service and pension benefits and \$3,620,529 is appropriated for future expenditures. The remaining \$7,927,724 is unassigned and currently available for spending. See Note 3p.
- At year end, the Village's total fund balance for the General Fund was \$20,406,144, a decrease of \$1,074,2120 from the prior year. The decline in fund balance was largely driven by the decline in fair value of the Length of Service Award Program (LOSAP) assets, \$699,195, and the budgeted appropriation of fund balance of \$418,290.
- Excluding the investment loss and appropriated fund balance, the Village's General Fund had a budgetary surplus of \$43,273
- 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 \$84,305,871 (exclusive of unamortized premium on bonds), of which \$42,644,429 relates to governmental activities and \$41,661,442 relates to business-type activities.
- In February 2023, the Village entered into a contract with a third-party investor to sell real property in the amount of \$17,500,000. The Village received a non-refundable deposit of \$500,000, which is recorded as general fund revenue at February 28, 2023. The property sale closed on May 31, 2023 resulting in a gain on the sale of property of \$14,010,000 (\$17,000,000 remaining sale proceeds, less the \$2,990,000 carrying value of the property).

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, 2023

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 of the costs of certain services it provides. The Village's water and electric activities are reported within the business-type activities.

Fund Financial Statements

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

Governmental Funds

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

Incorporated Village of Freeport, New York

Management's Discussion and Analysis
February 28, 2023

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, 2023

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, 2023	February 28, 2022	February 28, 2023 (Restated)	February 28, 2022	February 28, 2023 (Restated)	February 28, 2022
Current and other assets	\$ 37,493,549	\$ 34,876,334	\$ 64,503,904	\$ 67,805,442	\$ 101,997,453	\$ 102,681,776
Non-current assets	72,363,509	54,885,567	71,021,808	66,175,823	143,385,317	121,061,390
Total assets	<u>109,857,058</u>	<u>89,761,901</u>	<u>135,525,712</u>	<u>133,981,265</u>	<u>245,382,770</u>	<u>223,743,166</u>
Deferred outflows of resources	<u>78,955,236</u>	<u>93,951,187</u>	<u>20,829,283</u>	<u>26,102,123</u>	<u>99,784,519</u>	<u>120,053,310</u>
Current liabilities	28,260,844	25,911,600	23,431,556	17,559,257	51,692,400	43,470,857
Long-term liabilities	<u>174,521,251</u>	<u>259,048,150</u>	<u>66,463,068</u>	<u>97,083,468</u>	<u>240,984,319</u>	<u>356,131,618</u>
Total liabilities	<u>202,782,095</u>	<u>284,959,750</u>	<u>89,894,624</u>	<u>114,642,725</u>	<u>292,676,719</u>	<u>399,602,475</u>
Deferred inflows of resources	<u>162,909,400</u>	<u>77,047,226</u>	<u>43,338,346</u>	<u>22,475,456</u>	<u>206,247,746</u>	<u>99,522,682</u>
Net position						
Net investment in capital assets	22,237,622	20,311,884	26,457,014	22,234,277	48,694,636	42,546,161
Unrestricted	<u>(199,116,823)</u>	<u>(198,605,772)</u>	<u>(3,334,989)</u>	<u>730,930</u>	<u>(202,451,812)</u>	<u>(197,874,842)</u>
Total net position	<u>\$ (176,879,201)</u>	<u>\$ (178,293,888)</u>	<u>\$ 23,122,025</u>	<u>\$ 22,965,207</u>	<u>\$ (153,757,176)</u>	<u>\$ (155,328,681)</u>

Total assets and deferred outflows of resources of the Village's governmental activities, as of February 28, 2023, were \$109,857,058 and \$78,955,236, respectively. Total liabilities and deferred inflows resources as of February 28, 2023 were \$202,782,095 and \$162,909,400, respectively. This results in a net deficit balance of \$176,879,201 at February 28, 2023, which decreases the Village's governmental activities net deficit position by \$1,414,687 compared to the net deficit position at February 28, 2022. The increase in non-current assets is primarily attributed to the Village's adoption of GASB 87, *Leases* (GASB 87), which resulted in the recording of approximately \$15 million in lease receivables and corresponding deferred inflows of resources. Declines in the governmental activities non-current liabilities primarily relate to net pension asset/liability and OPEB reporting and are partially offset by increases in deferred inflows of resource. The Village's governmental activities net deficit position, \$22,237,622 represents its net investment in capital assets, leaving a \$199,176,953 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, 2023, were \$135,525,712 and \$20,829,283, respectively. Total liabilities and deferred inflows resources as of February 28, 2023 were \$89,894,624 and \$43,338,346, respectively. This results in a net position of \$23,122,025 at February 28, 2023, which increases the Village's business-type activities net position by \$156,818 compared to 2022. Of the Village's business-type activities net position balance, \$26,457,014 represents its net investment in capital assets, leaving \$3,334,989 as unrestricted deficit net position.

Incorporated Village of Freeport, New York

Management's Discussion and Analysis February 28, 2023

Government-Wide Financial Analysis - Continued

The Village's combined net investment in capital assets of \$48,694,636 as of February 28, 2023, 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 increased in the current year primarily due to changes in pension and OPEB reporting, which can fluctuate from year to year. The combined unfunded liability for OPEB as of February 28, 2023 totaled \$132,324,185. Additional information on OPEB can be found in Note 3n 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, 2023 and February 28, 2022, respectively:

	Governmental Activities		Business-type Activities		Total Primary Government	
	Year Ended		Year Ended		Year Ended	
	February 28, 2023 (Restated)	February 28, 2022	February 28, 2023 (Restated)	February 28, 2022	February 28, 2023 (Restated)	February 28, 2022
REVENUES						
Program revenues						
Charges for services	\$ 17,656,253	\$ 16,237,988	\$ 49,881,255	\$ 48,153,300	\$ 67,537,508	\$ 64,391,288
Operating grants and contributions	2,498,692	2,299,407	342,910	-	2,841,602	2,299,407
Capital grants and contributions	2,655,082	1,137,688	-	-	2,655,082	1,137,688
General revenues						
Real property taxes	43,358,211	41,693,441	-	-	43,358,211	41,693,441
Interest and penalties on real property taxes	335,387	426,080	-	-	335,387	426,080
Payments in lieu of taxes	287,936	271,264	-	-	287,936	271,264
Non-property taxes	1,105,802	1,180,550	-	-	1,105,802	1,180,550
Unrestricted use of money and property	2,144,724	1,845,601	201,711	5,719	2,346,435	1,851,320
Unrestricted state aid	793,853	1,244,175	-	-	793,853	1,244,175
Miscellaneous	1,974,732	2,805,538	-	-	1,974,732	2,805,538
Insurance recoveries	-	-	-	-	-	-
Transfers	4,391,150	4,491,150	(4,391,150)	(4,491,150)	-	-
Total revenues	<u>77,201,822</u>	<u>73,632,882</u>	<u>46,034,726</u>	<u>43,667,869</u>	<u>123,236,548</u>	<u>117,300,751</u>
EXPENSES						
General government	16,487,209	17,988,497	-	-	16,487,209	17,988,497
Public safety	40,977,674	47,307,070	-	-	40,977,674	47,307,070
Health	4,135	5,311	-	-	4,135	5,311
Transportation	5,123,142	5,415,108	-	-	5,123,142	5,415,108
Economic assistance and opportunity	192,817	141,057	-	-	192,817	141,057
Culture and recreation	6,081,600	6,333,327	-	-	6,081,600	6,333,327
Home and community services	6,109,885	5,789,152	-	-	6,109,885	5,789,152
Interest	810,673	1,036,430	-	-	810,673	1,036,430
Water	-	-	5,228,350	5,023,982	5,228,350	5,023,982
Electric	-	-	40,649,558	39,037,661	40,649,558	39,037,661
Total expenses	<u>75,787,135</u>	<u>84,015,952</u>	<u>45,877,908</u>	<u>44,061,643</u>	<u>121,665,043</u>	<u>128,077,595</u>
CHANGE IN NET POSITION	<u>1,414,687</u>	<u>(10,383,070)</u>	<u>156,818</u>	<u>(393,774)</u>	<u>1,571,505</u>	<u>(10,776,844)</u>
NET POSITION, beginning 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>
NET POSITION, end of year	<u>\$ (176,879,201)</u>	<u>\$ (178,293,888)</u>	<u>\$ 23,122,025</u>	<u>\$ 22,965,207</u>	<u>\$ (153,757,176)</u>	<u>\$ (155,328,681)</u>

Incorporated Village of Freeport, New York

Management's Discussion and Analysis February 28, 2023

Government-Wide Financial Analysis - Continued

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

- Government-wide program revenues increased by \$3,134,944, primarily as a result of an increase in charges for services and an increase in capital grants and contributions.
- Government-wide general revenues increased by \$533,996 from the previous year mainly due to increased 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, 2023	February 28, 2022	February 28, 2023	February 28, 2022	February 28, 2023	February 28, 2022
	(Restated)		(Restated)		(Restated)	
General government support	\$ 16,487,209	\$ 17,988,497	\$ 6,843,291	\$ 6,270,810	\$ (9,643,918)	\$ (11,717,687)
Public safety	40,977,674	47,307,070	4,572,003	4,305,064	(36,405,671)	(43,002,006)
Health	4,135	5,311	-	-	(4,135)	(5,311)
Transportation	5,123,142	5,415,108	2,328,727	1,673,988	(2,794,415)	(3,741,120)
Economic assistance and opportunity	192,817	141,057	-	6,000	(192,817)	(135,057)
Culture and recreation	6,081,600	6,333,327	2,217,518	1,799,593	(3,864,082)	(4,533,734)
Home and community services	6,109,885	5,789,152	6,848,488	5,619,628	738,603	(169,524)
Interest	810,673	1,036,430	-	-	(810,673)	(1,036,430)
	<u>\$ 75,787,135</u>	<u>\$ 84,015,952</u>	<u>\$ 22,810,027</u>	<u>\$ 19,675,083</u>	<u>\$ (52,977,108)</u>	<u>\$ (64,340,869)</u>

The cost of the governmental activities totaled \$75,787,135 for the year ended February 28, 2023. The net cost of these services after being subsidized by program revenues of \$22,810,027 is \$52,977,108.

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, 2023	February 28, 2022	February 28, 2023	February 28, 2022	February 28, 2023	February 28, 2022
	(Restated)		(Restated)		(Restated)	
Electric	\$ 40,649,558	\$ 39,037,661	\$ 43,473,778	\$ 41,735,623	\$ 2,824,220	\$ 2,697,962
Water	5,228,350	5,023,982	6,750,387	6,417,677	1,522,037	1,393,695
	<u>\$ 45,877,908</u>	<u>\$ 44,061,643</u>	<u>\$ 50,224,165</u>	<u>\$ 48,153,300</u>	<u>\$ 4,346,257</u>	<u>\$ 4,091,657</u>

The cost of the business-type activities totaled \$45,877,908 for the year ended February 28, 2023. The net income of these services after being subsidized by program revenues of \$50,224,165 was 4,346,257. This income was used to make PILOT payments and other transfers to the General Fund in the amount of \$4,391,150.

Incorporated Village of Freeport, New York

Management's Discussion and Analysis February 28, 2023

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 \$13,544,116 representing 66% of the total General Fund balance of \$20,406,144. 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 26% total fund balance to total expenditures and other financing uses.

At February 28, 2023, the Capital Projects Fund had a deficit balance of \$2,221,448. The fund balance of the Capital Projects Fund decreased by \$384,797 in comparison to 2022, 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, 2023, the Water Fund's net position was \$11,406,652, an increase of \$43,809 in comparison to February 28, 2022. Operating revenues increased by \$332,710, a result of increased user charges and interest and penalties. Operating expenses also increased by \$182,654, primarily the result of contractual increases in salaries and other administrative costs. The non-operating revenues (expenses), net, improved by \$40,097 primarily as a result of higher interest rates paid on cash and investments.

As of February 28, 2023, the Electric Fund's net position was \$11,715,373, an increase of \$113,009 from the prior year. Operating revenues increased \$1,395,245 driven by higher residential and commercial sales from the prior fiscal year. The increase in operating expenses of \$1,726,660, is primarily driven by a \$1.1 million increase in power generation and higher costs associated with provided benefits to active and retired personnel. The non-operating revenues (expenses), net, improved by \$591,854 as a result of higher interest rates earned on cash and investments and \$342,910 in Federal aid received.

General Fund Budgetary Highlights

Over the course of the year, the Village Board reviews and revises the budget as needed so that expenditures do not exceed appropriations. In the General Fund, various transfers between appropriations are approved by the Village Board for this purpose. The final budget is also revised from the original budget for the prior year encumbrances. Overall, total revenues and other financing sources were \$2,127,316 lower than budgeted amounts and total actual expenditures were lower than total budgeted amounts by \$2,170,589, resulting in a budgetary surplus of \$43,273.

Incorporated Village of Freeport, New York

Management's Discussion and Analysis February 28, 2023

General Fund Budgetary Highlights - Continued

The original and final Village budgets anticipated proceeds from the sale of real property beyond the \$500,000 non-refundable deposit that were not recognized until subsequent to year-end when the transaction closed, and transfer of ownership occurred. The remaining gain on sale of \$14,010,000 in May of 2023, far exceeded the Village's original budgeted amount.

Capital Assets and Debt Administration

Capital Assets

The Village's investment in capital assets for governmental activities and business-type activities at February 28, 2023 was approximately \$4.2 million and \$5.9 million, 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, 2023, the Village's major capital expenditures were as follows:

Water system improvements	\$ 3,070,943
Electric system improvements	6,849,412
General government	121,435
Public safety	938,394
Transportation	1,706,458
Economic and development and opportunity	347,733
Culture and recreation	294,182
Home and community services	825,393
	<hr/>
	\$ 14,153,950

In addition, the Electric Fund received approximately \$4.0 million in Federal Disaster Recovery Grants that were passed through the Governor's Office of Storm Recovery. In accordance with PSC regulations, these funds were netted against the corresponding expenditures, and therefore excluded from capital assets.

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

	February 28, 2023	February 28, 2022
Land	\$ 4,976,783	\$ 4,976,783
Construction in progress	130,891	26,273
Buildings	17,071,598	16,791,853
Improvements other than buildings	19,149,595	18,864,961
Machinery and equipment	20,914,499	20,104,322
Intangibles - software	1,289,184	1,289,184
Infrastructure	87,723,253	85,579,352
	<hr/>	<hr/>
Total capital assets, cost	151,255,803	147,632,728
Less: accumulated depreciation	97,013,450	92,747,161
	<hr/>	<hr/>
Total net governmental activities capital assets	\$ 54,242,353	\$ 54,885,567

Incorporated Village of Freeport, New York

Management's Discussion and Analysis February 28, 2023

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, 2023	February 28, 2022
Land	\$ 170,220	\$ 170,220
Construction in progress	3,335,198	935,325
Buildings, wells and structures	21,597,719	21,571,979
Improvements other than buildings	2,212,311	2,212,311
Machinery and equipment	110,817,270	110,318,641
Infrastructure	24,213,544	21,324,842
Total capital assets, cost	162,346,262	156,533,318
Less: accumulated depreciation	93,925,755	90,357,495
Total net business-type activities capital assets	<u>\$ 68,420,507</u>	<u>\$ 66,175,823</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 3e 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, 2023

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, 2023 is as follows:

	Balance March 1, 2022	Increases	Decreases	Balance February 28, 2023
Governmental activities				
Bond anticipation notes	\$ 9,568,885	\$ 13,029,190	\$ 9,568,885	\$ 13,029,190
General obligation bonds *	32,844,142	2,310,000	5,538,903	29,615,239
	<u>\$ 42,413,027</u>	<u>\$ 15,339,190</u>	<u>\$ 15,107,788</u>	<u>\$ 42,644,429</u>
Business-type activities				
Bond anticipation notes	\$ 1,815,691	\$ 4,385,191	\$ 1,815,691	\$ 4,385,191
General obligation bonds *	41,718,204	481,500	4,923,453	37,276,251
	<u>\$ 43,533,895</u>	<u>\$ 4,866,691</u>	<u>\$ 6,739,144</u>	<u>\$ 41,661,442</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 3g, 3h and 3i in the notes to the financial statements.

Economic Factors and Next Year's Budget and Rates

The Village has adopted a budget for the 2023-2024 fiscal year, which factors in inflation and other adjustments to revenues and expenditures as well as prior year positive and negative fund balances. The 2023-2024 budget includes an overall decrease in real property tax revenues from the prior year of 0.001% for the Village's governmental activities, which equates to an overall tax rate reduction of 1.04%.

Chapter 97 of the Laws of 2011 (the "Tax Cap Law") was enacted on June 24, 2011 and took effect for the 2012 budget year. The Tax Cap Law limits annual increases in the Village's overall real property tax to no more than the lesser of 2.00% or the rate of inflation. Certain increases to the tax levy are excluded from the limitations imposed by the Tax Cap Law including exclusions for certain expenditures for retirement system contributions and tort judgments payable by the Village. In addition, the Village Board may override the limitations if the Village Board enacts, by vote of at least 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 2023-2024 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:

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

Incorporated Village of Freeport, New York

Government-Wide Financial Statements Statement of Net Position

	February 28, 2023		
	Governmental Activities	Business-type Activities (Restated)	Total (Restated)
ASSETS			
Cash and equivalents	\$ 1,890,084	\$ 2,824,272	\$ 4,714,356
Investments, unrestricted	613,603	9,925,869	10,539,472
Investments, restricted	16,407,345		16,407,345
Receivables			
Taxes	653,277	-	653,277
Accounts receivable, net	1,186,397	7,578,476	8,764,873
State and Federal aid	1,760,229	-	1,760,229
Due from other governments	839,123	-	839,123
Internal balances	10,169,883	(10,169,883)	-
Inventories and other assets	983,608	3,670,750	4,654,358
Property held for sale or redevelopment	2,990,000	-	2,990,000
Costs to be recovered from future revenues	-	49,951,814	49,951,814
Regulatory deposits	-	722,606	722,606
Leases receivable	15,000,130	-	15,000,130
Net pension asset	3,121,026	2,601,301	5,722,327
Capital assets			
Not being depreciated	5,107,674	3,505,418	8,613,092
Being depreciated, net	49,134,679	64,915,089	114,049,768
Total assets	109,857,058	135,525,712	245,382,770
DEFERRED OUTFLOWS OF RESOURCES	78,955,236	20,829,283	99,784,519
LIABILITIES			
Accounts payable	4,747,776	6,018,728	10,766,504
Accrued and other liabilities	1,302,574	281,028	1,583,602
Accrued interest payable	308,158	285,945	594,103
Deposits payable	1,222,453	-	1,222,453
Customer deposits	-	1,605,066	1,605,066
Regulatory liabilities	-	5,460,816	5,460,816
Bond anticipation notes payable	11,579,190	4,385,191	15,964,381
Non-current liabilities			
Due within one year	9,100,693	5,394,782	14,495,475
Due in more than one year	174,521,251	66,463,068	240,984,319
Total liabilities	202,782,095	89,894,624	292,676,719
DEFERRED INFLOWS OF RESOURCES	162,909,400	43,338,346	206,247,746
NET POSITION			
Net investment in capital assets	22,237,622	26,457,014	48,694,636
Unrestricted	(199,116,823)	(3,334,989)	(202,451,812)
Total net position	\$ (176,879,201)	\$ 23,122,025	\$ (153,757,176)

See accompanying Notes to Financial Statements.

Incorporated Village of Freeport, New York

Government-Wide Financial Statements Statement of Activities

Year Ended February 28, 2023

Functions/Programs	Program Revenue				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
	(Restated)	(Restated)			(Restated)	(Restated)	(Restated)
GOVERNMENTAL ACTIVITIES							
General government support	\$ 16,487,209	\$ 4,614,592	\$ 2,228,699	\$ -	\$ (9,643,918)	\$ -	\$ (9,643,918)
Public safety	40,977,674	4,358,010	213,993	-	(36,405,671)	-	(36,405,671)
Health	4,135	-	-	-	(4,135)	-	(4,135)
Transportation	5,123,142	813,078	-	1,515,649	(2,794,415)	-	(2,794,415)
Economic opportunity and development	192,817	-	-	-	(192,817)	-	(192,817)
Culture and recreation	6,081,600	2,161,518	56,000	-	(3,864,082)	-	(3,864,082)
Home and community services	6,109,885	5,709,055	-	1,139,433	738,603	-	738,603
Interest	810,673	-	-	-	(810,673)	-	(810,673)
Total governmental activities	<u>75,787,135</u>	<u>17,656,253</u>	<u>2,498,692</u>	<u>2,655,082</u>	<u>(52,977,108)</u>	<u>-</u>	<u>(52,977,108)</u>
BUSINESS-TYPE ACTIVITIES							
Water	5,228,350	6,750,387	-	-	-	1,522,037	1,522,037
Electric	40,649,558	43,130,868	342,910	-	-	2,824,220	2,824,220
Total business-type activities	<u>45,877,908</u>	<u>49,881,255</u>	<u>342,910</u>	<u>-</u>	<u>-</u>	<u>4,346,257</u>	<u>4,346,257</u>
Total government	<u>\$ 121,665,043</u>	<u>\$ 67,537,508</u>	<u>\$ 2,841,602</u>	<u>\$ 2,655,082</u>	<u>(52,977,108)</u>	<u>4,346,257</u>	<u>(48,630,851)</u>
GENERAL REVENUES							
Real property taxes					43,358,211	-	43,358,211
Interest and penalties on real property taxes					335,387	-	335,387
Payments in lieu of taxes					287,936	-	287,936
Non-property tax distribution from County					117,323	-	117,323
Utilities gross receipts tax					988,479	-	988,479
Unrestricted use of money and property					2,144,724	201,711	2,346,435
Unrestricted State aid					793,853	-	793,853
Miscellaneous					1,974,732	-	1,974,732
Total general revenues					<u>50,000,645</u>	<u>201,711</u>	<u>50,202,356</u>
TRANSFERS					4,391,150	(4,391,150)	-
Change in net position					<u>1,414,687</u>	<u>156,818</u>	<u>1,571,505</u>
NET POSITION, beginning of year					<u>(178,293,888)</u>	<u>22,965,207</u>	<u>(155,328,681)</u>
NET POSITION, end of year					<u>\$ (176,879,201)</u>	<u>\$ 23,122,025</u>	<u>\$ (153,757,176)</u>

See accompanying Notes to Financial Statements.

Incorporated Village of Freeport, New York

Fund Financial Statements Balance Sheet - Governmental Funds

	February 28, 2023		
	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and equivalents	\$ 1,801,519	\$ 88,565	\$ 1,890,084
Investment, unrestricted	613,603	-	613,603
Investments, restricted	664,648	10,754,510	11,419,158
Length of service award program assets	4,988,187	-	4,988,187
Receivables			
Taxes	653,277	-	653,277
Accounts receivable, net	1,151,443	34,954	1,186,397
State and Federal aid	946,272	813,957	1,760,229
Due from other funds	12,436,063	747,809	13,183,872
Due from other governments	497,161	341,962	839,123
Leases	15,000,130	-	15,000,130
Inventories	397,453	-	397,453
Property held for sale and redevelopment	2,990,000	-	2,990,000
Prepaid expenditures	586,155	-	586,155
	\$ 42,725,911	\$ 12,781,757	\$ 55,507,668
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 3,260,527	\$ 1,487,249	\$ 4,747,776
Accrued liabilities	1,282,597	-	1,282,597
Due to other funds	1,077,223	1,936,766	3,013,989
Due to other governments	8,920	-	8,920
Deposits payable	1,222,453	-	1,222,453
Bond anticipation notes	-	11,579,190	11,579,190
Unearned revenues	11,057	-	11,057
Total liabilities	6,862,777	15,003,205	21,865,982
Deferred inflows of resources	15,456,990	-	15,456,990
	22,319,767	15,003,205	37,322,972
Fund balances			
Nonspendable	983,608	-	983,608
Restricted	5,652,835	-	5,652,835
Assigned	225,585	3,394,944	3,620,529
Unassigned	13,544,116	(5,616,392)	7,927,724
Total fund balances	20,406,144	(2,221,448)	18,184,696
	\$ 42,725,911	\$ 12,781,757	\$ 55,507,668

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, 2023</u>
Fund balances - total governmental funds	\$ 18,184,696
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	54,242,353
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:	651,035
Governmental funds do not report the effect of losses on refunding bonds and deferred outflows of resources and deferred inflows of resources relating to net pension, other postemployment benefits liabilities and the pension liability - length of service award program, whereas these amounts are deferred and amortized in the statement of activities.	
Deferred amounts on net pension liabilities/(assets)	(2,092,777)
Deferred amounts on fire service awards	(1,310,424)
Deferred amounts on other postemployment benefits	(66,183,256)
Deferred amounts on refunding bonds	438,248
Long-term assets/liabilities that are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	(308,158)
Bonds payable	(30,554,731)
Bond anticipation notes payable	(1,450,000)
Tax certiorari payable	(1,374,384)
Claims payable	(4,946,961)
Compensated absences	(28,095,801)
Retirement incentives and other pension liabilities	(758,020)
Net pension liability	(2,715,924)
Net pension asset	3,121,026
Pension liability - length of service award program	(11,556,498)
Other postemployment benefit liability	(102,169,625)
Net position of governmental activities	<u><u>\$ (176,879,201)</u></u>

Incorporated Village of Freeport, New York

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

	Year Ended February 28, 2023		
	General	Capital	Total
	(Restated)	Projects	Governmental Funds
REVENUES	(Restated)		(Restated)
Real property taxes	\$ 43,562,865	\$ -	\$ 43,562,865
Other tax items	623,323	-	623,323
Non-property taxes	1,105,802	-	1,105,802
Departmental income	8,775,344	-	8,775,344
Intergovernmental charges	6,500	-	6,500
Interfund revenues	2,719,233	-	2,719,233
Use of money and property	2,144,724	-	2,144,724
Licenses and permits	1,766,524	-	1,766,524
Fines and forfeitures	4,262,409	-	4,262,409
Sale of property and compensation for loss	944,683	-	944,683
State aid	1,033,616	581,120	1,614,736
Federal aid	2,928,599	1,139,433	4,068,032
Miscellaneous	1,030,049	391,102	1,421,151
Total revenues	70,903,671	2,111,655	73,015,326
EXPENDITURES			
General government	11,786,947	-	11,786,947
Public safety	24,906,455	-	24,906,455
Health	2,258	-	2,258
Transportation	2,563,902	-	2,563,902
Economic development and opportunity	156,808	-	156,808
Culture and recreation	3,661,203	-	3,661,203
Home and community services	4,993,862	-	4,993,862
Employee benefits	23,254,253	-	23,254,253
Capital outlay	348,386	3,885,209	4,233,595
Debt service			
Principal	5,538,903	-	5,538,903
Interest	977,967	-	977,967
Total expenditures	78,190,944	3,885,209	82,076,153
Deficiency of revenues over expenditures	(7,287,273)	(1,773,554)	(9,060,827)
OTHER FINANCING SOURCES (USES)			
Bonds issued	-	2,310,000	2,310,000
Bond anticipation notes issued	850,000	-	850,000
BAN premiums	50,668	-	50,668
Transfers in	6,921,643	1,609,250	8,530,893
Transfers out	(1,609,250)	(2,530,493)	(4,139,743)
Total other financing sources (uses)	6,213,061	1,388,757	7,601,818
Net change in fund balances	(1,074,212)	(384,797)	(1,459,009)
FUND BALANCES, beginning of year	21,480,356	(1,836,651)	19,643,705
FUND BALANCES, end of year	\$ 20,406,144	\$ (2,221,448)	\$ 18,184,696

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

		Year Ended February 28, 2023
Net change in fund balances - total governmental funds		\$ (1,459,009)
<p>Amounts reported for governmental activities in the statement of activities are different because</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlays	3,917,890	
Depreciation expense	<u>(4,561,104)</u>	(643,214)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		(204,654)
<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	(2,310,000)	
Principal paid on bonds	5,538,903	
Bond anticipation notes issued	(850,000)	
Amortization of loss on refunding bonds	(100,711)	
Amortization of premium	<u>190,049</u>	2,468,241
<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	27,288	
Tax certiorari payable	(349,675)	
Claims payable	(184,077)	
Compensated absences	(3,277,382)	
Retirement incentives and other pension liabilities	571,911	
Net pension asset/liability, net of deferred outflows of resources and deferred inflows of resources	3,136,702	
Pension liability - length of service award program, net of deferred outflows of resources and deferred inflows of resources	(255,391)	
Other post employment benefit obligations, net of deferred outflows of resources and deferred inflows of resources	<u>1,583,947</u>	<u>1,253,323</u>
Change in net position of governmental activities		<u><u>\$ 1,414,687</u></u>

Incorporated Village of Freeport, New York

Fund Financial Statements Statement of Net Position - Proprietary Funds

		February 28, 2023		
		Water	Electric (Restated)	Total (Restated)
ASSETS				
CURRENT ASSETS				
Cash and equivalents	\$	133,165	\$ 2,691,107	\$ 2,824,272
Investments		2,605,127	7,320,742	9,925,869
Accounts receivable, net		2,522,338	5,056,138	7,578,476
Due from other funds		375,634	474,377	850,011
Inventories		114,599	2,960,651	3,075,250
Other assets		16,319	579,181	595,500
Total current assets		5,767,182	19,082,196	24,849,378
NONCURRENT ASSETS				
Costs to be recovered from future revenues		10,180,255	39,771,559	49,951,814
Regulatory deposit		-	722,606	722,606
Net pension asset		387,962	2,213,339	2,601,301
Capital assets				
Nondepreciable capital assets		85,981	3,419,437	3,505,418
Depreciable capital assets, net		17,226,361	47,688,728	64,915,089
Total noncurrent assets		27,880,559	93,815,669	121,696,228
Total assets		33,647,741	112,897,865	146,545,606
DEFERRED OUTFLOWS OF RESOURCES		3,367,930	17,461,353	20,829,283
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable		1,235,422	4,783,306	6,018,728
Accrued liabilities		51,787	-	51,787
Accrued interest payable		97,180	188,765	285,945
Due to other funds		1,601,625	9,418,269	11,019,894
Regulatory liabilities		-	5,460,816	5,460,816
Bond anticipation notes payable		3,017,493	1,367,698	4,385,191
Unearned revenue		-	229,241	229,241
Customer deposits		-	1,605,066	1,605,066
Compensated absences		50,000	340,000	390,000
Retirement incentives and other pension liabilities		21,198	120,937	142,135
Bonds payable		914,062	3,948,585	4,862,647
Total current liabilities		6,988,767	27,462,683	34,451,450

See accompanying Notes to Financial Statements.

Incorporated Village of Freeport, New York

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

	February 28, 2023		
	Water	Electric (Restated)	Total (Restated)
LIABILITIES - Continued			
NONCURRENT LIABILITIES			
Bonds payable, less current portion	\$ 4,488,014	\$ 28,227,641	\$ 32,715,655
Compensated absences, less current portion	448,358	3,048,929	3,497,287
Other post employment benefit liabilities	6,145,545	24,009,015	30,154,560
Retirement incentives and other pension liabilities, less current portion	14,253	81,313	95,566
Total noncurrent liabilities	11,096,170	55,366,898	66,463,068
Total liabilities	18,084,937	82,829,581	100,914,518
DEFERRED INFLOWS OF RESOURCES	7,524,082	35,814,264	43,338,346
NET POSITION			
Net investment in capital assets	8,892,773	17,564,241	26,457,014
Unrestricted (deficit)	2,513,879	(5,848,868)	(3,334,989)
Total net position	\$ 11,406,652	\$ 11,715,373	\$ 23,122,025

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, 2023		
	Water	Electric (Restated)	Total (Restated)
OPERATING REVENUES			
Charges for services	\$ 6,389,194	\$ 42,874,727	\$ 49,263,921
Interest and penalties	361,193	-	361,193
Miscellaneous	-	256,141	256,141
Total operating revenues	6,750,387	43,130,868	49,881,255
OPERATING EXPENSES			
Power generation	-	23,936,676	23,936,676
Power and pumping	2,410,980	-	2,410,980
Transmission and distribution services	357,998	1,408,626	1,766,624
Street lighting and signal system	-	136,684	136,684
Customer counting and collection	-	867,337	867,337
Administrative and general	1,432,973	10,807,901	12,240,874
Depreciation	850,543	2,775,720	3,626,263
Miscellaneous	-	79,902	79,902
Total operating expenses	5,052,494	40,012,846	45,065,340
Operating income	1,697,893	3,118,022	4,815,915
NON-OPERATING REVENUES (EXPENSES)			
Federal aid	-	342,910	342,910
Interest income	65,922	135,789	201,711
Interest expense	(175,856)	(636,712)	(812,568)
Total nonoperating revenues (expenses)	(109,934)	(158,013)	(267,947)
Income before other financing uses	1,587,959	2,960,009	4,547,968
OTHER FINANCING USES			
Transfers out	(1,544,150)	(2,847,000)	(4,391,150)
Change in net position	43,809	113,009	156,818
NET POSITION, beginning of year	11,362,843	11,602,364	22,965,207
NET POSITION, end of year	\$ 11,406,652	\$ 11,715,373	\$ 23,122,025

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, 2023		
	Water	Electric (Restated)	Total (Restated)
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES			
Cash received from customers and charges for services	\$ 6,476,934	\$ 43,907,836	\$ 50,384,770
Cash payments for salaries and benefits	(1,832,272)	(11,298,758)	(13,131,030)
Cash payments to vendors	(948,167)	(20,069,836)	(21,018,003)
	3,696,495	12,539,242	16,235,737
CASH FLOWS PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES			
Transfers to General Fund	(1,544,150)	(2,847,000)	(4,391,150)
Federal aid	-	4,392,318	4,392,318
	(1,544,150)	1,545,318	1,168
CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(3,070,943)	(6,849,412)	(9,920,355)
Proceeds on bonds payable issued	-	419,990	419,990
Principal paid on bonds payable	(1,094,853)	(3,828,601)	(4,923,454)
Proceeds on bond anticipation notes issued	2,705,000	-	2,705,000
Principal paid on bond anticipation notes	-	(70,000)	(70,000)
Interest paid on bonds payable and bond anticipation notes	(231,628)	(690,529)	(922,157)
	(1,692,424)	(11,018,552)	(12,710,976)
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES			
Interest income	65,922	135,789	201,711
Purchase of investments	(528,606)	(2,731,067)	(3,259,673)
Sales of investments	-	-	-
	(462,684)	(2,595,278)	(3,057,962)
Net increase (decrease) in cash and equivalents	(2,763)	470,730	467,967
CASH AND EQUIVALENTS, <i>beginning of year</i>	135,928	2,220,377	2,356,305
CASH AND EQUIVALENTS, <i>end of year</i>	\$ 133,165	\$ 2,691,107	\$ 2,824,272

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, 2023		
	Water	Electric	Total
		(Restated)	(Restated)
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income	\$ 1,697,893	\$ 3,118,022	4,815,915
Adjustments to reconcile income from operations to net cash provided by operating activities			
Depreciation	850,543	2,775,720	3,626,263
Bad debts expense	-	79,902	79,902
(Increase) decrease in			
Accounts receivable	(273,453)	697,066	423,613
Inventories	-	(603,904)	(603,904)
Due from other funds	123,238	(20,513)	102,725
Other assets	2,953	(437,420)	(434,467)
Regulatory deposit	-	(143,226)	(143,226)
Deferred outflows of resources - net pension asset/liability	243,318	988,116	1,231,434
Deferred outflows of resources - other postemployment benefit liability	692,088	3,151,719	3,843,807
Deferred outflows of resources - deferred amounts on refunding bonds	12,475	185,124	197,599
Increase (decrease) in			
Accounts payable	929,163	935,235	1,864,398
Accrued liabilities	10,996	-	10,996
Accrued interest payable	36,609	(233)	36,376
Due to other funds	754,461	3,674,189	4,428,650
Regulatory liabilities	-	1,505,888	1,505,888
Customer deposits	-	34,893	34,893
Compensated absences	(43,418)	492,609	449,191
Retirement incentives and other pension liabilities	71,651	(154,469)	(82,818)
Other post employment benefit liabilities	(4,678,662)	(18,694,957)	(23,373,619)
Net pension asset/liability	(403,320)	(2,237,449)	(2,640,769)
Deferred inflows of resources - net pension asset/liability	(7,507)	446,819	439,312
Deferred inflows of resources - other postemployment benefit liability	3,677,467	16,746,111	20,423,578
	<u>1,998,602</u>	<u>9,421,220</u>	<u>11,419,822</u>
Net cash provided (used) by operating activities	\$ 3,696,495	\$ 12,539,242	\$ 16,235,737

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, 2023</u>
	<u>Private Purpose Trust</u>
ASSETS	
Investments, restricted	<u>\$ 15,725</u>
NET POSITION	
Restricted	<u>\$ 15,725</u>

Incorporated Village of Freeport, New York

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

	Year Ended February 28, 2023
	Private Purpose Trust
ADDITIONS	
Interest earnings	\$ 331
NET POSITION, <i>beginning of year</i>	15,394
NET POSITION, <i>end of year</i>	\$ 15,725

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2023

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). The Agency has been excluded from the Village's reporting entity based on the following criteria: (a) the Village is unable to remove a member of the Board of Directors of the Agency at will; (b) the Village is unable to control the budget of the Agency; (c) the Village does not guarantee the Agency's debt; (d) the Village is unable to exercise oversight over the rates set by the Agency; and (e) the Village is unable to appoint management, hire staff or exercise other administrative authority over the Agency.

Village of Freeport Housing Authority (Authority), 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, 2023

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, 2023

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.

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.

Incorporated Village of Freeport, New York

Notes to Financial Statements February 28, 2023

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

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

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.

At February 28, 2023, the Village had \$21,974,355 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.

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2023

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*

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, 2023. 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.

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.

Incorporated Village of Freeport, New York

Notes to Financial Statements February 28, 2023

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*

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

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

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, 2023 were determined as follows:

	Water Fund	Electric Fund	Total
Costs excluded from ratemaking policies			
Annual OPEB costs recoverable from rate payers	\$ 1,148,059	\$ 1,251,348	\$ 2,399,407
Costs included in current year rates			
Amount of current year payments	(265,949)	(1,211,063)	(1,477,012)
Changes in assumptions and other inputs	(267,899)	(3,830,381)	(4,098,280)
Costs to be recovered from future revenues	614,211	(3,790,096)	(3,175,885)
Beginning	9,566,044	43,561,655	53,127,699
Ending	\$ 10,180,255	\$ 39,771,559	\$ 49,951,814

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, 2023, the Village’s regulatory assets and liabilities, as reported in the Electric Fund, were \$722,606 and \$5,460,816, respectively.

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2023

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 assets are recorded at acquisition value at the date of donation.

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

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the Village chose to include all such items regardless of their acquisition date or amount. The Village was able to estimate the historical cost for the initial reporting of these assets through 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. 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, 2023

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, 2023.

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 \$11,057 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 \$651,035 at February 28, 2023 for real property taxes in the General Fund. This amount is deferred and recognized as an inflow of resources in the period the amounts become available. The Village has also recorded deferred inflows of resources related to lease receivables in the amount of \$14,805,955, which will be recognized in future periods in accordance with GASB Statement No. 87, *Leases*.

The Village has reported deferred outflows of resources within the governmental activities and the business-type activities of \$438,248 and \$1,426,105 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, 2023

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 3m.

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

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

Deferred outflows of resources and deferred inflows of resources at February 28, 2023 in the government-wide financial statements are as follows:

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net pension liability (asset)	\$ 31,571,811	\$ 33,664,588
Length of service award program	3,407,967	4,718,391
Other postemployment benefit liability	43,537,210	109,720,466
Deferred amounts on refunding bonds	438,248	-
Leases	-	14,805,955
	\$ 78,955,236	\$ 162,909,400

	Business-Type Activities			
	Water Fund		Electric Fund	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net pension liability (asset)	\$ 863,836	\$ 1,347,672	\$ 4,928,206	\$ 7,688,519
Other postemployment benefit liability	2,450,807	6,176,409	11,160,329	28,125,746
Deferred amounts on refunding bonds	53,287	-	1,372,818	-
	\$ 3,367,930	\$ 7,524,081	\$ 17,461,353	\$ 35,814,265

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.

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2023

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*

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.
- 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.

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2023

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:

- 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.

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.

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2023

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

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:

Exchange Traded Funds and Mutual Funds: Reported at current quoted fair value.

U.S Treasury Notes, U.S. Federal Agency Notes and Certificates of Deposit: Value based on observable prices for the particular security, or when prices are not observable the valuation is based on prices of comparable securities or the present value of future cash flows.

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

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2023

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

i. Fair Value of Financial Instruments - Continued

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

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes 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, 2023 the Village's investments and categorization within the fair value measurement hierarchy:

	Level 1	Level 2	Level 3	Total
NYCLASS	\$ -	\$ 21,974,355	\$ -	\$ 21,974,355
Exchange traded funds				
Fixed income	955,754	-	-	955,754
Equity	1,297,099	-	-	1,297,099
Mixed asset	144,680	-	-	144,680
Mutual funds				
Fixed income	287,571	-	-	287,571
Equity	380,563	-	-	380,563
Mixed asset	343,586	-	-	343,586
U.S Treasury Notes	-	551,373	-	551,373
U.S. Federal Agency Notes	-	127,479	-	127,479
Certificates of deposits	-	718,682	-	718,682
Cash and cash equivalents	181,400	-	-	181,400
	<u>\$ 3,590,653</u>	<u>\$ 23,371,889</u>	<u>\$ -</u>	<u>\$ 26,962,542</u>

j. Adoption of New Accounting Standard

Effective March 1, 2022, the Village adopted the provisions of GASB Statement No. 87, *Leases (GASB 87)*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financing the right to use of 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. The adoption of GASB 87 resulted in the recording of lease receivables and a deferred inflow of \$15,246,380 as of March 1, 2022.

k. 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 September 18, 2023, 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 overstatement of accounts receivable and understatement of expenses of approximately \$1.248 million.

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2023

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

k. Reissuance of Financial Statements - Continued

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 \$1.248 million, and no fund balance impact.

l. Subsequent Events Evaluation by Management

The Village has evaluated subsequent events for potential recognition or disclosure through September 18, 2023, the date the financial statements were available to be issued.

Note 2 - Stewardship, Compliance, and Accountability

a. Budgetary Data

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

- (1) Prior to December 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.
- (2) The Board of Trustees conducts a public hearing on the tentative budget to obtain taxpayer comments on or before January 15th.
- (3) 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.
- (4) Formal budgetary integration is employed during the year as a management control device for the General Fund.
- (5) The budget for the General Fund is legally adopted annually on a basis consistent with 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.
- (6) 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.
- (7) Appropriations in the General Fund lapse at the end of the fiscal year, except those outstanding encumbrances, if any, are reappropriated in the succeeding year pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

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

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2023

Note 2 - Stewardship, Compliance, and Accountability - Continued

b. Property Tax Limitation

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

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

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

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

c. Capital Projects Fund Project Deficits

The unassigned deficit in the Capital Projects Fund of \$2,221,448 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, 2023 consisted of the following:

Tax liens	<u>\$ 653,277</u>
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Taxes receivable in the fund financial statements are substantially offset by deferred tax revenues of \$651,035 which represents an estimate of the taxes receivable which will not be collected within the first sixty days of the subsequent year.

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2023

Note 3 - Detailed Notes on All Funds - Continued

b. Receivables

State and Federal receivables within the general fund are comprised of the following at February 28, 2023:

General Fund		
State aid		
Public safety	\$	96,000
Mortgage tax		180,938
Other		32,756
Federal aid		
Public safety		65,921
Disaster		570,657
		<u>946,272</u>
	\$	<u>946,272</u>
Capital Projects Fund		
DASNY - SAM grant	\$	513,000
New York State - parks and recreation		18,120
Federal - hazard mitigation		282,837
		<u>813,957</u>
	\$	<u>813,957</u>

Due from other Governments are comprised of the following at February 28, 2023:

General Fund		
PILOT agreements	\$	70,524
Fire protection agreement		6,500
Other tax items		87,070
Due from Community Development Agency		69,910
Fines and forfeitures		263,157
		<u>497,161</u>
	\$	<u>497,161</u>
Capital Projects Fund		
Road improvements due from Nassau County	\$	341,962
		<u>341,962</u>
	\$	<u>341,962</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 \$408,172, respectively, at February 28, 2023.

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2023

Note 3 - Detailed Notes on All Funds - Continued

c. Lease Receivables

The Village recognized lease revenue and related interest revenue of \$820,853 and \$104,222, respectively, for the year ended February 28, 2023. These amounts are included in the General Fund under use of money and property on the Statement of Revenues, Expenditures, and Changes in Fund Balances and unrestricted use of money and property on the Statement of Activities.

Future annual lease payments under these arrangements are as follows:

For the year ending February 28,	Principal	Interest	Total
2024	\$ 261,340	\$ 521,086	\$ 782,426
2025	307,142	511,030	818,172
2026	336,258	499,818	836,076
2027	368,370	487,559	855,929
2028	405,178	474,061	879,239
2029 through 2033	2,578,673	2,124,060	4,702,733
2034 through 2038	3,698,476	1,580,288	5,278,764
2039 through 2043	5,110,247	816,302	5,926,549
2044 through 2047	1,934,446	67,727	2,002,173
	<u>\$ 15,000,130</u>	<u>\$ 7,081,931</u>	<u>\$ 22,082,061</u>

d. Interfund Transactions

The balances reflected as due from/to other funds at February 28, 2023 were as follows:

Due from Other Funds	Due to Other Funds				Total
	General	Capital Projects	Electric	Water	
General	\$ -	\$ 1,717,004	\$ 9,391,527	\$ 1,327,532	\$ 12,436,063
Capital Projects	586,458	-	26,742	134,609	747,809
Electric	115,131	219,762	-	139,484	474,377
Water	375,634	-	-	-	375,634
	<u>\$ 1,077,223</u>	<u>\$ 1,936,766</u>	<u>\$ 9,418,269</u>	<u>\$ 1,601,625</u>	<u>\$ 14,033,883</u>

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

Interfund transfers for the year ended February 28, 2023 were as follows:

Transfers Out	Transfers In		Total
	General	Capital Projects	
General	\$ -	\$ 1,609,250	\$ 1,609,250
Capital Projects	2,530,493	-	2,530,493
Water	1,544,150	-	1,544,150
Electric	2,847,000	-	2,847,000
Total	<u>\$ 6,921,643</u>	<u>\$ 1,609,250</u>	<u>\$ 8,530,893</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2023

Note 3 - Detailed Notes on All Funds - Continued

d. Interfund Transactions - Continued

During 2023, 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.

e. Capital Assets

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

Governmental Activities	Balance March 1, 2022	Additions	Deletions	Balance February 28, 2023
Capital assets not being depreciated				
Land	\$ 4,976,783	\$ -	\$ -	\$ 4,976,783
Construction in progress	26,273	105,860	1,242	130,891
Total capital assets not being depreciated	<u>5,003,056</u>	<u>105,860</u>	<u>1,242</u>	<u>5,107,674</u>
Depreciable capital assets				
Buildings	16,791,853	279,745	-	17,071,598
Improvements other than buildings	18,864,961	284,634	-	19,149,595
Machinery and equipment	20,104,322	1,104,992	294,815	20,914,499
Intangibles - software	1,289,184	-	-	1,289,184
Infrastructure	85,579,352	2,143,901	-	87,723,253
Total depreciable capital assets	<u>142,629,672</u>	<u>3,813,272</u>	<u>294,815</u>	<u>146,148,129</u>
Less accumulated depreciation				
Buildings	10,539,897	427,246	-	10,967,143
Improvements other than buildings	14,042,863	699,188	-	14,742,051
Machinery and equipment	14,816,589	885,358	294,815	15,407,132
Intangibles - software	1,184,886	28,397	-	1,213,283
Infrastructure	52,162,926	2,520,915	-	54,683,841
Total accumulated depreciation	<u>92,747,161</u>	<u>4,561,104</u>	<u>294,815</u>	<u>97,013,450</u>
Net depreciable capital assets	<u>49,882,511</u>	<u>(747,832)</u>	<u>-</u>	<u>49,134,679</u>
Total net capital assets governmental activities	<u>\$ 54,885,567</u>	<u>\$ (641,972)</u>	<u>\$ 1,242</u>	<u>\$ 54,242,353</u>
Water Fund	Balance March 1, 2022	Additions	Deletions	Balance February 28, 2023
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	1,294,761	182,241	49,461	1,427,541
Infrastructure	21,324,842	2,888,702	-	24,213,544
Total depreciable capital assets	<u>34,278,989</u>	<u>3,070,943</u>	<u>49,461</u>	<u>37,300,471</u>
Less accumulated depreciation				
Buildings	3,336,768	184,544	-	3,521,312
Improvements other than buildings	1,519,995	107,292	-	1,627,287
Machinery and equipment	896,592	56,010	49,461	903,141
Infrastructure	13,519,673	502,697	-	14,022,370
Total accumulated depreciation	<u>19,273,028</u>	<u>850,543</u>	<u>49,461</u>	<u>20,074,110</u>
Net depreciable capital assets	<u>15,005,961</u>	<u>2,220,400</u>	<u>-</u>	<u>17,226,361</u>
Total Water Fund net capital assets	<u>\$ 15,091,942</u>	<u>\$ 2,220,400</u>	<u>\$ -</u>	<u>\$ 17,312,342</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements February 28, 2023

Note 3 - Detailed Notes on All Funds - Continued

e. Capital Assets - Continued

Electric Fund	Balance March 1, 2022	Additions	Deletions	Balance February 28, 2023
Capital assets not being depreciated				
Land	\$ 84,239	\$ -	\$ -	\$ 84,239
Construction in progress	935,325	3,315,991	916,118	3,335,198
Total capital assets not being depreciated	<u>1,019,564</u>	<u>3,315,991</u>	<u>916,118</u>	<u>3,419,437</u>
Depreciable capital assets				
Buildings	12,124,904	25,740	-	12,150,644
Machinery and equipment	109,023,880	504,006	138,157	109,389,729
Total depreciable capital assets	<u>121,148,784</u>	<u>529,746</u>	<u>138,157</u>	<u>121,540,373</u>
Less accumulated depreciation				
Buildings	8,629,133	196,706	-	8,825,839
Machinery and equipment	62,455,334	2,975,896	405,424	65,025,806
Total accumulated depreciation	<u>71,084,467</u>	<u>3,172,602</u>	<u>405,424</u>	<u>73,851,645</u>
Net depreciable capital assets	<u>50,064,317</u>	<u>(2,642,856)</u>	<u>(267,267)</u>	<u>47,688,728</u>
Total Electric Fund net capital assets	<u>\$ 51,083,881</u>	<u>\$ 673,135</u>	<u>\$ 648,851</u>	<u>\$ 51,108,165</u>

In accordance with the PSC, capital assets contributed to the Electric Fund or funded by non-user charges such as grants, are excluded from the financial statements as they cannot be depreciated for rate making purposes. The Electric Fund has received approximately \$16.2 million in Federal grant funds since 2019 that were invested into the system and are excluded from the financial statements as required by the regulatory body.

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

Governmental activities	
General government support	\$ 224,984
Public safety	716,870
Transportation	2,039,759
Culture and recreation	944,005
Home and community services	<u>635,486</u>
Total depreciation expense for governmental activities	<u>\$ 4,561,104</u>
Governmental activities	
Water fund	\$ 850,543
Electric fund	<u>2,775,720</u>
Total depreciation expense for business-type activities	<u>\$ 3,626,263</u>

Electric fund depreciation charged to clearing accounts and allocated to capital assets and other operating expenses as part of the work order process was \$396,882 for the year-ended May 31, 2023.

Incorporated Village of Freeport, New York

Notes to Financial Statements February 28, 2023

Note 3 - Detailed Notes on All Funds - Continued

f. Accrued and Other Liabilities

Accrued liabilities and other liabilities at February 28, 2023 were as follows:

	Governmental Activities	Business-Type Activities	Total
Payroll and employee benefits	\$ 1,282,597	\$ 51,787	\$ 1,334,384
Due to other governments	8,920	-	-
Unearned revenues	11,057	229,242	240,299
	<u>\$ 1,302,574</u>	<u>\$ 281,029</u>	<u>\$ 1,574,683</u>

g. Bond Anticipation Notes

The schedule of changes in bond anticipation notes within the fund financial statements during the year ended February 28, 2023 is as follows:

Purpose	Original Issue Date	Maturity Date	Interest Rate	Balance March 1, 2022	New Issues	Redemptions	Balance February 28, 2023
Capital Projects Fund							
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	-
Various public improvements	4/27/2022	4/27/2023	2.23%	-	5,094,250	-	5,094,250
Various public improvements	4/27/2022	4/27/2023	2.75%	-	622,305	-	622,305
Various public improvements	11/15/2022	11/15/2023	5.00%	-	4,827,635	-	4,827,635
Various public improvements	2/23/2023	4/27/2023	4.49%	-	1,035,000	-	1,035,000
Total				<u>\$ 8,968,885</u>	<u>\$ 11,579,190</u>	<u>\$ 8,968,885</u>	<u>\$ 11,579,190</u>
Water Fund							
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	-
Various public improvements	11/15/2022	11/15/2023	5.00%	-	312,493	-	312,493
Various public improvements	4/27/2022	4/27/2023	2.23%	-	2,705,000	-	2,705,000
Total				<u>\$ 373,993</u>	<u>\$ 3,017,493</u>	<u>\$ 373,993</u>	<u>\$ 3,017,493</u>
Electric Fund							
Various public improvements	4/28/2021	4/28/2022	1.50%	767,698	-	767,698	-
Various public improvements	11/16/2021	11/16/2022	1.50%	674,000	-	674,000	-
Various public improvements	4/27/2022	4/27/2023	2.23%	-	600,000	-	600,000
Various public improvements	11/15/2022	11/15/2023	5.00%	-	767,698	-	767,698
Total				<u>\$ 1,441,698</u>	<u>\$ 1,367,698</u>	<u>\$ 1,441,698</u>	<u>\$ 1,367,698</u>

The schedule of changes in bond anticipation notes within the government-wide governmental activities during the year ended February 28, 2023 is as follows:

Purpose	Original Issue Date	Maturity Date	Interest Rate	Balance March 1, 2022	New Issues	Redemptions	Balance February 28, 2023
Governmental Activities							
Various public improvements	4/28/2022	4/27/2023	2.75%	\$ 600,000	\$ -	-	\$ 600,000
Tax Cert Claims	2/23/2023	4/27/2023	4.99%	-	850,000	-	850,000
Total				<u>\$ 600,000</u>	<u>\$ 850,000</u>	<u>\$ -</u>	<u>\$ 1,450,000</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.

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2023

Note 3 - Detailed Notes on All Funds - Continued

h. Long-Term Liabilities

The follow table summarizes the changes in the Village's long-term liabilities for the year ended February 28, 2023:

	Governmental Activities				
	Balance March 1, 2022	New Issues/ Additions	Maturities, Refundings/ Payments	Balance February 28, 2023	Due Within On Year
Long-term debt					
Bonds payable	\$ 32,844,142	\$ 2,310,000	\$ 5,538,903	\$ 29,615,239	\$ 4,223,118
Plus unamortized premium on bonds	1,129,541	-	190,049	939,492	-
	<u>33,973,683</u>	<u>2,310,000</u>	<u>5,728,952</u>	<u>30,554,731</u>	<u>4,223,118</u>
Other non-current liabilities					
Bond anticipation notes payable	600,000	850,000		1,450,000	-
Claims payable	4,762,884	184,077	-	4,946,961	989,392
Tax certiorari payable	1,024,709	349,675	-	1,374,384	962,069
Compensated absences	24,818,419	3,277,382	-	28,095,801	2,481,842
Retirement incentives and other pension liabilities	1,329,931	-	571,911	758,020	444,272
Net pension liability					
ERS	63,061	132,838	195,899	-	-
PFRS	7,145,042	3,315,480	7,744,598	2,715,924	-
Pension liability - length of service award program	15,153,278	752,477	4,349,257	11,556,498	-
Other postemployment benefit obligations	181,376,357	1,949,604	81,156,336	102,169,625	-
	<u>236,273,681</u>	<u>10,811,533</u>	<u>94,018,001</u>	<u>153,067,213</u>	<u>4,877,575</u>
Governmental activities long-term liabilities	<u>\$ 270,247,364</u>	<u>\$ 13,121,533</u>	<u>\$ 99,746,953</u>	<u>\$ 183,621,944</u>	<u>\$ 9,100,693</u>
	Water Fund				
	Balance March 1, 2022	New Issues/ Additions	Maturities, Refundings/ Payments	Balance February 28, 2023	Due Within On Year
Long-term debt					
Bonds payable	\$ 6,358,766	\$ 61,500	\$ 1,094,852	\$ 5,325,414	\$ 887,921
Plus unamortized premium on bonds	132,434	-	55,772	76,662	26,141
	<u>6,491,200</u>	<u>61,500</u>	<u>1,150,624</u>	<u>5,402,076</u>	<u>914,062</u>
Other non-current liabilities					
Compensated absences	434,175	64,183	-	498,358	50,000
Retirement incentives and other pension liabilities	82,247	-	46,796	35,451	21,198
Net pension liability	4,512	16,513	21,025	-	-
Other postemployment benefit obligations	10,209,996	22,609	4,087,060	6,145,545	-
	<u>10,730,930</u>	<u>103,305</u>	<u>4,154,881</u>	<u>6,679,354</u>	<u>71,198</u>
	<u>\$ 17,222,130</u>	<u>\$ 164,805</u>	<u>\$ 5,305,505</u>	<u>\$ 12,081,430</u>	<u>\$ 985,260</u>
	Electric Fund				
	Balance March 1, 2022	New Issues/ Additions	Maturities, Refundings/ Payments	Balance February 28, 2023	Due Within On Year
Long-term debt					
Bonds payable	\$ 35,359,438	\$ 420,000	\$ 3,828,601	\$ 31,950,837	\$ 3,905,461
Plus unamortized premium on bonds	279,206	-	53,817	225,389	43,124
	<u>35,638,644</u>	<u>420,000</u>	<u>3,882,418</u>	<u>32,176,226</u>	<u>3,948,585</u>
Other non-current liabilities					
Compensated absences	3,182,806	206,123	-	3,388,929	340,000
Retirement incentives and other pension liabilities	356,732	-	154,482	202,250	120,937
Net pension liability	24,110	94,205	118,315	-	-
Other postemployment benefit obligations	46,494,068	363,176	22,848,229	24,009,015	-
	<u>50,057,716</u>	<u>663,504</u>	<u>23,121,026</u>	<u>27,600,194</u>	<u>460,937</u>
	<u>\$ 85,696,360</u>	<u>\$ 1,083,504</u>	<u>\$ 27,003,444</u>	<u>\$ 59,776,420</u>	<u>\$ 4,409,522</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2023

Note 3 - Detailed Notes on All Funds - Continued

i. General Obligation Bonds Payable

General obligation bonds payable at February 28, 2023 are comprised of the following:

Purpose	Original Issue Amount	Final Maturity	Interest Rates	Governmental Activities	Water Fund	Electric Fund
2014 Series A	6,925,000	5/2/2028	3.000%	\$ 2,485,000	\$ 450,000	\$ -
2014 Series A - Refunding	8,490,000	5/3/2024	2.125% - 4.000%	651,550	133,450	-
2015 Series A - Refunding	8,390,000	2/28/2026	2.250% - 5.000%	1,357,272	1,284,003	78,717
2016 Series A - Refunding	13,730,000	5/1/2028	3.000% - 5.000%	4,773,062	291,502	1,685,435
2016 Series B - Refunding	1,350,000	5/1/2023	1.750% - 2.250%	-	-	265,000
2017 Series A	1,350,000	5/1/2023	1.750% - 2.250%	7,144,082	119,137	746,780
2019 Series A	5,880,000	4/15/2037	1.500% - 3.000%	4,019,673	1,003,822	131,505
2020 Series A - Refunding	33,465,000	5/1/2032	0.190% - 1.819%	349,600	152,000	27,968,400
2021 Series A	7,512,350	4/15/2041	2.000% - 2.250%	4,630,000	1,830,000	655,000
2021 Series B	2,100,000	4/15/2029	1.000% - 1.780%	1,895,000	-	-
2022 Series A	2,310,000	4/15/2023	3.50%	2,310,000	61,500	420,000
				29,615,239	5,325,414	31,950,837
Unamortized premium on bonds				939,492	76,662	225,389
				<u>\$ 30,554,731</u>	<u>\$ 5,402,076</u>	<u>\$ 32,176,226</u>

The annual requirements to amortize all bonded debt outstanding within the governmental activities as of February 28, 2023 are as follows:

Year	Governmental Activities		
	Principal	Interest	Total
2024	\$ 4,223,118	\$ 681,355	\$ 4,904,473
2025	4,416,035	561,340	4,977,375
2026	4,012,413	439,361	4,451,774
2027	2,263,602	354,072	2,617,674
2028	2,293,320	302,376	2,595,696
2029-2033	7,904,339	837,893	8,742,232
2034-2038	3,562,412	278,983	3,841,395
2039-2042	940,000	40,391	980,391
	<u>\$ 29,615,239</u>	<u>\$ 3,495,771</u>	<u>\$ 33,111,010</u>

The annual requirements to amortize all bonded debt outstanding within the business-type activities as of February 28, 2023 are as follows:

Year	Water Fund		
	Principal	Interest	Total
2024	\$ 887,921	\$ 127,453	\$ 1,015,374
2025	909,963	103,485	1,013,448
2026	781,314	78,509	859,823
2027	245,324	62,463	307,787
2028	243,727	56,633	300,360
2029-2033	865,142	215,764	1,080,906
2034-2039	952,024	104,592	1,056,616
2039-2042	440,000	18,906	458,906
	<u>\$ 5,325,415</u>	<u>\$ 767,805</u>	<u>\$ 6,093,220</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2023

Note 3 - Detailed Notes on All Funds - Continued

i. General Obligation Bonds Payable - Continued

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.

j. 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.

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

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

	Claims Payable	Tax Certiorari Payable	Total
Balance - beginning of year	\$ 4,762,884	\$ 1,024,709	\$ 5,787,593
Provision for claims and claims adjustment expenses	1,471,269	1,255,711	2,726,980
Claims and claims adjustment expenses paid	(1,287,192)	(906,036)	(2,193,228)
Balance - end of year	\$ 4,946,961	\$ 1,374,384	\$ 6,321,345
Due within one year	\$ 989,392	\$ 962,069	\$ 1,951,461

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

k. Compensated Absences

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

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2023

Note 3 - Detailed Notes on All Funds - Continued

k. Compensated Absences - Continued

Estimated vacation, sick leave and compensatory absences accumulated by governmental and business-type activities employees have been reported in the Statement of Net Position. Payment of vacation time and sick leave is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation, sick leave, and compensatory absences when such payments become due. As of February 28, 2023, the value of compensated absences in the governmental activities and business type activities was \$28,095,801 and \$3,887,287, respectively.

l. Retirement Incentives and Other Pension Liabilities

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

Interest is charged at rates which approximate a market rate of return on taxable fixed rate securities of a comparable duration and will be adjusted annually. The Village has elected to amortize the maximum allowable ERS and PFRS contributions in each of the fiscal years since this option was first offered which is offered in the table below:

	Original Amount Amortized	Current Year Payments	Balance Due	Due Within One Year
2013 ERS	\$ 1,066,045	\$ 121,333	\$ -	\$ -
2013 PFRS	745,692	84,872	-	-
2014 ERS	1,498,544	169,095	175,301	175,301
2014 PFRS	1,247,658	140,785	145,953	145,953
2015 ERS	658,090	70,833	148,430	73,064
2015 PFRS	689,872	74,254	155,599	76,593
2016 ERS	596,628	62,301	199,163	64,302
2016 PFRS	362,126	37,814	120,883	39,028
2017 PFRS	117,786	11,889	50,392	12,166
	<u>\$ 6,982,441</u>	<u>\$ 773,176</u>	<u>\$ 995,721</u>	<u>\$ 586,407</u>

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

Fund	ERS	PFRS	Total
General	\$ 222,284	\$ 349,614	\$ 571,898
Water	46,796	-	46,796
Electric	154,482	-	154,482
	<u>\$ 423,562</u>	<u>\$ 349,614</u>	<u>\$ 773,176</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements February 28, 2023

Note 3 - Detailed Notes on All Funds - Continued

m. Pension Plans

Plan Description and Benefits Provided

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

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

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

Contributions

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

Tier 6 members with 10 years of service or more can retire as early as age 55 with reduced benefits. The contribution rate varies from 3% to 6% depending on salary. 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, 2022 was approximately 16.2% and 28.3% of payroll, respectively. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2023

Note 3 - Detailed Notes on All Funds - Continued

m. Pension Plans - Continued

Contributions - Continued

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

	ERS	PFRS
2023	\$ 3,266,120	\$ 5,672,069
2022	3,256,646	5,212,704
2021	2,728,441	4,344,169

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

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

At February 28, 2023, the Village reported a net pension asset of \$5,722,327 related to ERS and a net pension liability of liability of \$2,715,924 related to PFRS. The ERS net pension asset and corresponding deferred outflows of resources and inflows of resources was allocated between the governmental activities and enterprise funds, based on their proportionate share of retirement contribution. The PFRS net pension liability and corresponding deferred outflows of resources and deferred inflows of resource was recorded in the governmental activities. The Village's proportion of the net pension asset and liability was based on a projection of the Village's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At February 28, 2023, the Village's proportion was 0.0700015% in the Employee Retirement System and 0.4781181% in the Police and Fire Retirement System.

For the year ended February 28, 2023, the Village recognized pension expense on the accrual basis of accounting of \$243,812 related to ERS and \$3,315,480 for PFRS. At February 28, 2023, 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	\$ 236,360	\$ 306,572	\$ 1,464,174	\$ -
Changes of assumptions	5,208,644	87,890	16,255,391	-
Net differences between projected and actual investment earnings on pension plan investments	-	10,220,054	-	22,820,853
Changes in proportion and differences between employer contributions and proportionate share of contributions	365,934	227,053	2,083,246	2,166
Village contributions subsequent to the measurement date	1,138,318	-	4,819,744	-
Total	\$ 6,949,256	\$ 10,841,569	\$ 24,622,555	\$ 22,823,019

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2023

Note 3 - Detailed Notes on All Funds - Continued

m. Pension Plans - Continued

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

	Business-Type Activities - ERS			
	Water		Electric	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,383	\$ 38,109	\$ 167,619	\$ 217,412
Changes of assumptions	647,466	10,925	3,693,815	62,329
Net differences between projected and actual investment earnings on pension plan investments	-	1,270,414	-	7,247,759
Changes in proportion and differences between employer contributions and proportionate share of contributions	45,488	28,224	259,510	161,019
Village contributions subsequent to the measurement date	141,499	-	807,262	-
Total	<u>\$ 863,836</u>	<u>\$ 1,347,672</u>	<u>\$ 4,928,206</u>	<u>\$ 7,688,519</u>

Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or an increase in the net pension asset in the year ending February 28, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Governmental Activities		Business-Type Activities	
	ERS	PFRS	Water - ERS	Electric - ERS
Year ending February 28,				
2024	\$ (786,128)	\$ (481,315)	\$ (97,721)	\$ (557,499)
2025	(1,135,698)	(1,314,372)	(141,174)	(805,403)
2026	(2,631,596)	(4,914,962)	(327,121)	(1,866,250)
2027	(477,209)	3,384,775	(59,319)	(338,423)
2028	-	305,666	-	-
Total	<u>\$ (5,030,631)</u>	<u>\$ (3,020,208)</u>	<u>\$ (625,335)</u>	<u>\$ (3,567,575)</u>

Actuarial Assumptions

The total pension liability at March 31, 2022 was determined by using an actuarial valuation as of April 1, 2021, with updated procedures used to roll forward the total pension liability to March 31, 2022. Significant actuarial assumptions used in the valuation were as follows:

Actuarial Cost Method	Entry age normal
Inflation Rate	2.7 percent
Salary Scale	
ERS	4.4 percent, indexed by service
PFRS	6.2 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

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2023

Note 3 - Detailed Notes on All Funds - Continued

m. Pension Plans - Continued

Actuarial Assumptions - Continued

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, 2021 valuation is based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2022 are summarized below.

Asset Type	Target Allocation	Long-Term Expected Real Rate
Domestic equity	32.00%	3.30%
International equity	15.00%	5.85%
Private equity	10.00%	6.50%
Real estate	9.00%	5.00%
Opportunistic/absolute return strategies	3.00%	4.10%
Credit	4.00%	3.78%
Real assets	3.00%	5.58%
Fixed income	23.00%	0.00%
Cash	1.00%	-1.00%
	100.00%	

Discount Rate

The discount rate used to calculate the total pension liability was 5.9%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and 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.

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2023

Note 3 - Detailed Notes on All Funds - Continued

m. Pension Plans - Continued

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

The following presents the Village's proportionate share of the net pension liability/(asset) 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			
Water - ERS	\$ 998,611	\$ -	\$ (1,547,764)
Electric - ERS	\$ 5,697,112	\$ -	\$ (8,830,050)
Governmental Activities			
ERS	\$ 8,033,488	\$ -	\$ (12,451,241)
PFRS	\$ 30,210,460	\$ 2,715,924	\$ (20,042,252)

Pension Plan Fiduciary Net Position

The components of the current-year net pension asset and liability of the employers as of March 31, 2022 were as follows:

	(Dollars in Thousands)		
	Employee's Retirement System	Police and Fire Retirement System	Total
Employers' total pension liability	\$ 223,874,888	\$ 42,237,292	\$ 266,112,180
Plan net position	(232,049,473)	(41,669,250)	(273,718,723)
Employers' net pension (asset) liability	\$ (8,174,585)	\$ 568,042	\$ (7,606,543)
Ratio of plan net position to the employers' total pension liability	103.65%	98.66%	102.86%

n. 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, 2023 is as follows:

Active employees	320
Retired employees	357
	677

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2023

Note 3 - Detailed Notes on All Funds - Continued

n. Other Postemployment Benefit Obligations Payable - Continued

The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the Village may vary according to the length of service. The cost of providing postemployment health care benefits is shared between the Village and the retired employee. Substantially all of the Village's employees may become eligible for those benefits if they reach 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, 2023, the Village reported a liability of \$102,169,625 and \$30,154,560 for its OPEB liability in the governmental activities and business-type activities, respectively. The OPEB liability was measured as of February 28, 2023 by an actuarial valuation using census data information as of that date. For the year ended February 28, 2023, the Village recognized OPEB expenses of \$1,949,604 and \$385,785 in the governmental activities and business-type activities, respectively. At February 28, 2023, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Governmental Activities		Water Fund		Electric Fund	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,635,590	\$ 49,076,797	\$ 373,532	\$ 2,762,642	\$ 1,700,967	\$ 12,580,347
Change of assumptions	36,901,620	60,643,669	2,077,275	3,413,767	9,459,362	15,545,399
Total	<u>\$ 43,537,210</u>	<u>\$ 109,720,466</u>	<u>\$ 2,450,807</u>	<u>\$ 6,176,409</u>	<u>\$ 11,160,329</u>	<u>\$ 28,125,746</u>

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

Year ending February 28,	Governmental Activities	Business-Type Activities	
		Water	Electric
2024	\$ (10,250,102)	\$ (577,002)	\$ (2,627,511)
2025	(10,106,535)	(568,920)	(2,590,709)
2026	(10,105,211)	(568,845)	(2,590,370)
2027	(15,295,279)	(861,005)	(3,920,792)
2028	(20,426,129)	(1,149,830)	(5,236,035)
	<u>\$ (66,183,256)</u>	<u>\$ (3,725,602)</u>	<u>\$ (16,965,417)</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2023

Note 3 - Detailed Notes on All Funds - Continued

n. Other Postemployment Benefit Obligations Payable - Continued

The total OPEB liability at February 28, 2023 was determined using the following actuarial assumptions:

Assumptions	Factor
Discount rate	4.37%
Valuation date	March 31, 2022
Salary Scale	3.00% per annum
Mortality	PUB 2010 w/ MP2021 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
		Water	Electric	
Balance as of February 28, 2022	\$ 181,376,357	\$ 10,209,996	\$ 46,494,068	238,080,421
Changes for the year				
Service cost	6,963,168	391,972	1,784,939	9,140,079
Interest	5,066,099	285,182	1,298,644	6,649,925
Difference between expected and actual experience	(55,413,910)	(2,725,100)	(16,386,001)	(74,525,011)
Change in assumptions	(31,097,648)	(1,750,556)	(7,971,572)	(40,819,776)
Benefit payments	(4,724,441)	(265,949)	(1,211,063)	(6,201,453)
Net changes	(79,206,732)	(4,064,451)	(22,485,053)	(105,756,236)
Balance as of February 28, 2023	\$ 102,169,625	\$ 6,145,545	\$ 24,009,015	\$ 132,324,185

The following presents the OPEB liability of the Plan as of February 28, 2023 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			
Governmental Activities	\$ 87,166,917	\$ 102,169,625	\$ 118,229,772
Business-Type Activities			
Water Fund	4,908,717	6,145,545	30,310,153
Electric Fund	22,346,678	24,009,015	6,657,990
	<u>\$ 114,422,312</u>	<u>\$ 132,324,185</u>	<u>\$ 155,197,915</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2023

Note 3 - Detailed Notes on All Funds - Continued

n. Other Postemployment Benefit Obligations Payable - Continued

The following presents the OPEB liability of the plan as of February 28, 2023 calculated using the discount rate of 4.37%, 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:

	<u>1% Decrease 3.37%</u>	<u>Current Discount 4.37%</u>	<u>1% Increase 5.37%</u>
OPEB liability			
Governmental Activities	\$ 115,653,134	\$ 102,169,625	\$ 88,741,200
Business-Type Activities			
Water Fund	29,649,589	6,145,545	22,750,271
Electric Fund	<u>6,512,890</u>	<u>24,009,015</u>	<u>4,997,371</u>
	<u>\$ 151,815,613</u>	<u>\$ 132,324,185</u>	<u>\$ 116,488,842</u>

o. 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, 2022 measurement date, the following participants were covered by the benefits terms:

Inactive participants currently receiving benefit payments	87
Inactive participants entitled to but not yet receiving benefit payments	110
Active participants	<u>228</u>
	<u><u>425</u></u>

Incorporated Village of Freeport, New York

Notes to Financial Statements February 28, 2023

Note 3 - Detailed Notes on All Funds - Continued

o. 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, 2022 measurement date was determined using an actuarial valuation as of that date.

The total pension liability in the December 31, 2022 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 4.31%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2022. 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, 2022 is as follows:

Total pension liability - length of service award program beginning of year	<u>\$ 15,153,278</u>
Changes for the year	
Service cost	391,334
Interest	343,331
Changes of assumptions or other inputs	(4,008,315)
Differences between expected and actual experience	111,538
Benefit payments	<u>(434,668)</u>
Net changes	<u>(3,596,780)</u>
Total pension liability - length of service award program end of year	<u><u>\$ 11,556,498</u></u>

The following presents the total pension liability of the Village as of the December 31, 2022 measurement date, calculated using the discount rate of 4.31%, 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 <u>3.31%</u>	Current Discount <u>4.31%</u>	1% Increase <u>5.31%</u>
Total pension liability - length of service award program	<u>\$ 13,282,273</u>	<u>\$ 11,556,498</u>	<u>\$ 10,138,672</u>

Incorporated Village of Freeport, New York

Notes to Financial Statements February 28, 2023

Note 3 - Detailed Notes on All Funds - Continued

o. Length of Service Award Program - Continued

At February 28, 2023, 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	\$ 404,266	\$ -
Changes of assumptions or other inputs	2,923,594	4,718,391
Benefits payments and administrative expenses subsequent to the measurement date	80,107	-
	\$ 3,407,967	\$ 4,718,391

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, 2024. 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,	
2024	\$ (58,170)
2025	(58,170)
2026	(58,170)
2027	(58,170)
2028	(58,170)
Thereafter	(1,099,681)
	\$ (1,390,531)

p. Fund Balance

A summary of the Village's governmental fund balances as of February 28, 2023 is as follows:

	General Fund	Capital Projects Fund	Total
Nonspendable			
Inventories	\$ 397,453	\$ -	\$ 397,453
Prepaid expenditures	586,155	-	586,155
Total nonspendable	983,608	-	983,608
Restricted			
Debt service	664,648	-	664,648
Pension benefits	4,988,187	-	4,988,187
Total restricted	5,652,835	-	5,652,835

Incorporated Village of Freeport, New York

Notes to Financial Statements February 28, 2023

Note 3 - Detailed Notes on All Funds - Continued

p. Fund Balance - Continued

	General Fund	Capital Projects Fund	Total
Assigned			
Purchases on order			
General government support	225,585	231,054	456,639
Public safety	-	3,163,890	3,163,890
Total assigned	225,585	3,394,944	3,620,529
Unassigned	13,544,116	(5,616,392)	7,927,724
Total fund balances	\$ 20,406,144	\$ (2,221,448)	\$ 18,184,696

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.

c. Risk Management

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

The Village is exposed to various risks of loss related to torts; theft, damage and destruction of assets, errors, and omissions; injuries to employees; life and health of employees; and natural disasters. The Village maintains commercial insurance for property damage up to a maximum of approximately \$63.95 million for the Electric Plan and \$67.27 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.

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2023

Note 4 - Contingencies

c. Risk Management - Continued

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

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

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

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, 2023.

Note 5 - Subsequent Events

In April of 2023, the Village issued \$9,455,000 in 2023 Series C BANs, which bear interest at a reoffered rate of 3.5% and mature in April 2024. New money under the 2023 Service C BANs totaled \$1,150,000.

In April of 2023, the Village issued \$1,860,00 in 2023 Series D BANs, which bear interest at 3.92% and mature in April of 2024.

In May of 2023, the Village closed on the sale of property held for sale or redevelopment. The total sales price was \$17,500,000, and the book value of the property was \$2,990,000, resulting in a total gain of \$14,510,000. The Village received a non-refundable deposit of \$500,000 in February 2023, which is recorded as revenue in the financial statements. The remaining gain of \$14,010,000 was recorded on May 31, 2023, the date of the closing.

Note 6 - Accounting Standards Issued But Not Yet Implemented

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).

Incorporated Village of Freeport, New York

Notes to Financial Statements February 28, 2023

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

As used in this statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as an infrastructure or other capital assets (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which GASB defines in this statement as a PPP in which: (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

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. 99, *Omnibus 2022*. This statement addresses a variety of topics. The requirements of this statement related to the extension of the use 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

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2023

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

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.

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

Incorporated Village of Freeport, New York

Notes to Financial Statements

February 28, 2023

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

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 Budgetary Comparison Schedule – General Fund

	Year Ended February 28, 2023			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual (Restated)	
REVENUES				
Real property taxes	\$ 43,485,246	\$ 43,485,246	\$ 43,562,865	\$ 77,619
Other tax items	634,040	634,040	623,323	(10,717)
Non-property taxes	1,159,000	1,159,000	1,105,802	(53,198)
Departmental income	9,175,175	9,175,175	8,775,344	(399,831)
Intergovernmental charges	6,500	6,500	6,500	-
Interfund revenues	2,067,000	2,067,000	2,719,233	652,233
Use of money and property	1,566,901	1,566,901	2,843,919	1,277,018
Licenses and permits	2,185,114	2,185,114	1,766,524	(418,590)
Fines and forfeitures	4,310,000	4,310,000	4,262,409	(47,591)
Sale of property and compensation for loss	4,665,195	4,665,195	944,683	(3,720,512)
State aid	619,386	619,386	1,033,616	414,230
Federal aid	2,348,865	2,348,865	2,928,599	579,734
Miscellaneous	1,118,359	1,118,359	1,030,049	(88,310)
Appropriated fund balance	342,020	418,290	418,290	-
Total revenues	73,682,801	73,759,071	72,021,156	(1,737,915)
EXPENDITURES				
General government	13,330,611	13,355,496	11,786,947	1,568,549
Public safety	26,159,440	26,212,091	24,906,455	1,305,636
Health	3,850	3,850	2,258	1,592
Transportation	1,837,568	1,839,768	2,563,902	(724,134)
Economic development and opportunity	194,343	192,164	156,808	35,356
Culture and recreation	3,639,117	3,639,817	3,661,203	(21,386)
Home and community services	4,763,009	4,761,022	4,993,862	(232,840)
Employee benefits	22,456,253	22,456,253	23,254,253	(798,000)
Capital outlay	-	-	348,386	(348,386)
Debt service				
Principal	5,668,899	5,668,899	5,538,903	129,996
Interest	984,651	984,651	977,967	6,684
Total expenditures	79,037,741	79,114,011	78,190,944	923,067
Deficiency of revenues over expenditures	(5,354,940)	(5,354,940)	(6,169,788)	(814,848)
OTHER FINANCING SOURCES (USES)				
Bonds issued	1,235,000	1,235,000	-	(1,235,000)
Bond anticipation notes issued	-	-	850,000	850,000
Bond and BAN premiums	70,000	70,000	50,668	(19,332)
Transfers in	4,191,150	4,191,150	6,921,643	2,730,493
Transfers out	(141,210)	(141,210)	(1,609,250)	(1,468,040)
Total other financing sources (uses)	5,354,940	5,354,940	6,213,061	858,121
Budgetary surplus	\$ -	\$ -	\$ 43,273	\$ 43,273

Incorporated Village of Freeport, New York

Required Supplementary Information Notes to the Budgetary Comparison Schedule – General Fund

Annually the Village prepares a budget for its General Fund on the modified accrual basis of accounting with the following exceptions:

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

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

Budgetary surplus	\$ 43,273
Change in fair value of LOSAP investments	(699,195)
Appropriated fund balance	<u>(418,290)</u>
Change in fund balance	<u>\$ (1,074,212)</u>

Incorporated Village of Freeport, New York

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

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

See Independent Auditor's Report.

Incorporated Village of Freeport, New York

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

	2023	2022	2021	2020	2019	2018	2017	2016
New York State and Local Employees' Retirement System								
Village's proportion of the net pension liability (asset)	0.0700015%	0.0633307%	0.0685169%	0.0697882%	0.0709855%	0.0716054%	0.0721038%	0.0716503%
Village's proportionate share of the net pension liability (asset)	\$ (5,722,328)	\$ 63,061	\$ 18,143,667	\$ 4,944,704	\$ 2,291,019	\$ 6,728,204	\$ 11,572,857	\$ 2,420,522
Village's covered payroll	\$ 19,656,561	\$ 19,840,111	\$ 19,003,706	\$ 18,631,084	\$ 18,523,319	\$ 18,271,244	\$ 18,062,719	\$ 17,926,137
Village's proportionate share of the net pension liability as a percentage of its covered payroll	-29.11%	0.32%	95.47%	26.54%	12.37%	36.82%	64.07%	13.50%
Plan fiduciary net position as a percentage of the total pension liability	103.65%	99.95%	86.39%	96.27%	98.24%	90.70%	90.70%	97.90%
	2023	2022	2021	2020	2019	2018	2017	2016
New York State and Local Police and Fire Retirement System								
Village's proportion of the net pension liability	0.4781181%	0.4131639%	0.4088284%	0.4020716%	0.3914940%	0.3824851%	0.3836998%	0.3546445%
Village's proportionate share of the net pension liability	\$ 2,715,924	\$ 7,173,664	\$ 21,851,619	\$ 6,742,995	\$ 3,957,053	\$ 7,927,584	\$ 11,360,534	\$ 976,193
Village's covered payroll	\$ 19,861,829	\$ 18,732,119	\$ 18,307,412	\$ 17,948,443	\$ 17,497,658	\$ 16,841,964	\$ 16,552,013	\$ 15,685,066
Village's proportionate share of the net pension liability as a percentage of its covered payroll	13.67%	38.30%	119.36%	37.57%	22.61%	47.07%	68.64%	6.22%
Plan fiduciary net position as a percentage of the total pension liability	98.66%	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

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

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

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>	<u>2017</u>
Service cost	\$ 391,334	\$ 336,208	\$ 255,753	\$ 234,981	\$ 268,143	\$ 237,614
Interest	343,331	291,883	385,915	396,558	362,130	378,221
Changes of assumptions or other inputs	(4,008,315)	(738,171)	2,836,067	648,368	(826,583)	931,109
Changes of benefit terms	-	589,584	-	-	-	-
Differences between expected and actual experience	111,538	111,397	166,217	82,082	54,763	16,671
Benefit payments	<u>(434,668)</u>	<u>(449,798)</u>	<u>(427,814)</u>	<u>(450,831)</u>	<u>(330,506)</u>	<u>(327,428)</u>
Net change in total pension liability	<u>(3,596,780)</u>	<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, <i>beginning</i>	<u>15,153,278</u>	<u>15,012,175</u>	<u>11,796,037</u>	<u>10,884,879</u>	<u>11,356,932</u>	<u>10,120,745</u>
Total pension liability, ending	<u><u>\$ 11,556,498</u></u>	<u><u>\$ 15,153,278</u></u>	<u><u>\$ 15,012,175</u></u>	<u><u>\$ 11,796,037</u></u>	<u><u>\$ 10,884,879</u></u>	<u><u>\$ 11,356,932</u></u>
Covered payroll	None	None	None	None	None	None
Total pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A

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