THE VILLAGE OF PORT JEFFERSON

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORT

May 31, 2023

**INCORPORATED VILLAGE OF PORT JEFFERSON**

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CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees
Incorporated Village of Port Jefferson
Port Jefferson, New York

***Adverse and Unmodified Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of the Incorporated Village of Port Jefferson (Village), as of and for the year ended May 31, 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.

*Summary of Opinions*

| Opinion Unit | Type of Opinion |
|---|---|
| Governmental Activities | Adverse |
| General Fund | Unmodified |
| Community Development Fund | Unmodified |
| Country Club Fund | Unmodified |
| Capital Projects Fund | Unmodified |

*Adverse Opinion on Governmental Activities*

In our opinion, because of the significance of the matter discussed in the "Matter Giving Rise to the Adverse Opinion on Governmental Activities" section of our report, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Incorporated Village of Port Jefferson, as of May 31, 2023, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Unmodified Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund of the Incorporated Village of Port Jefferson, as of May 31, 2023, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Adverse and Unmodified Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Incorporated Village of Port Jefferson, 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 adverse and unmodified audit opinions.

*Matter Giving Rise to the Adverse Opinion on Governmental Activities*

As discussed in Note 7 to the financial statements, the Village did not maintain adequate accounting records to support reported capital assets amounts and the Village has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that all capital assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

### *Change in Accounting Principle*

As described in Note 2 to the financial statements, "Change in Accounting Principle", the Village has adopted the provisions of GASB Statement No. 87, *Leases*, as of May 31, 2023. Our opinion is 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 generally accepted 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 generally accepted 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, schedule of revenues, expenditures, and changes in fund balance – budget and actual – general fund, schedule of the Village’s proportionate share of the net pension asset/(liability), schedule of Village pension contributions, and schedule of changes in the Village’s total OPEB liability and related ratios on pages 4 through 14 and 42 through 47, respectively, 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.

Cullen & Danowski, LLP

January 15, 2024

The Incorporated Village of Port Jefferson's (Village) discussion and analysis of the financial performance provides an overall review of the Village's financial activities for the fiscal year ended May 31, 2023 in comparison with the year ended May 31, 2022, with emphasis on the current year. This should be read in conjunction with the financial statements, notes to financial statements, and required supplementary information, which immediately follow this section.

## 1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2023 are as follows:

- The Village's total net position, as reflected in the government-wide financial statements, decreased by $9,821,439. This was due to an excess of expenses over revenues using the economic resources measurement focus and the accrual basis of accounting.

- For the fiscal year ended May 31, 2023, the Village implemented GASB Statement No. 87, *Leases*. The implementation of this Statement included a restatement of lease liabilities, resulting in a decrease of total net position of $471,033.

- The Village's expenses for the year, as reflected in the government-wide financial statements, totaled $24,501,013. Of this amount, $6,056,299 was offset by program charges for services, operating grants, and capital grants. General revenues of $8,623,275 amount to 58.74% of total revenues.

- The Village's general fund fund balance, as reflected in the fund financial statements was $2,572,514 at May 31, 2023. This balance represents a $740,189 increase (40.40%) over the prior year due to an excess of revenues over expenditures and other financing uses, using the current financial resources measurement focus and the modified accrual basis of accounting. Assigned fund balance increased by $257,882 and represents the fund balance appropriated to fund the 2023-2024 budget. Unassigned fund balance increased by $482,307 to $2,314,632.

- The Village redeemed $240,000 in BANs from general fund appropriations during the year.

- The Village's 2023 property tax levy of $6,463,152 was a 0.95% decrease from the 2022 tax levy. The Village's property tax cap was 2.10%.

## 2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (MD&A), the financial statements, and required supplementary information. The financial statements consist of government-wide financial statements, fund financial statements, and notes to financial statements. A graphic display of the relationship of these statements follows:

## A. Government-Wide Financial Statements

The government-wide financial statements present the governmental activities of the Village and are organized to provide an understanding of the fiscal performance of the Village, as a whole, in a manner similar to a private sector business. There are two government-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the Village's finances.

These statements utilize the economic resources measurement focus and the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

### The Statement of Net Position

The Statement of Net Position presents information on all of the Village's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. To assess the overall health of the Village, one needs to consider additional nonfinancial factors such as changes in the Village's property tax base and the condition of the Village's infrastructure, buildings, and other capital assets.

### The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Revenues are recognized in the period when they are earned and expenses are recognized in the period when the liability is incurred. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods.

## B. Fund Financial Statements

The fund financial statements provide more detailed information about the Village's funds, not the Village as a whole. 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 also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the Village are reported in the governmental funds.

### Governmental Funds

These statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period when they become measurable and available. It recognizes expenditures in the period when the Village incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, compensated absences, pension costs, and other postemployment benefits (OPEB), which are recognized as expenditures to the extent the related liabilities mature each period.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the Village's operations and the services it provides.

Because the focus of governmental funds is narrower than that of 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, the reader may better understand the long-term impact of the Village's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds 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 four individual governmental funds: general fund, community development fund, country club fund, and capital projects fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

## 3. FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

### A. Net Position

Certain balances at May 31, 2022, were adjusted as a result of the implementation of GASB Statement No. 87, *Leases*, which required the Village to record a lease liability of $471,033, and corresponding reduction of total net position.

The Village's total net position decreased by $9,821,439 between fiscal year 2023 and 2022. The decrease is due to expenses in excess of revenues using the economic resources measurement focus and the accrual basis of accounting. A summary of the Village's Statements of Net Position follows:

| | 2023 | As Restated 2022 | Increase (Decrease) | Percentage Change |
|---|---|---|---|---|
| **Assets** | | | | |
| Current and Other Assets | $ 6,140,277 | $ 10,206,007 | $ (4,065,730) | (39.84)% |
| Capital Assets, Net | 57,970,828 | 57,970,828 | - | 0.00 % |
| Net Pension Asset - Proportionate Share | - | 1,177,717 | (1,177,717) | (100.00)% |
| Total Assets | 64,111,105 | 69,354,552 | (5,243,447) | (7.56)% |
| **Deferred Outflows of Resources** | 1,923,719 | 4,649,543 | (2,725,824) | (58.63)% |
| **Liabilities** | | | | |
| Current and Other Liabilities | 10,312,714 | 9,682,830 | 629,884 | 6.51 % |
| Long-Term Liabilities | 4,525,750 | 5,129,986 | (604,236) | (11.78)% |
| Net Pension Liability - Proportionate Share | 2,967,912 | - | 2,967,912 | N/A |
| Total OPEB Liability | 12,544,060 | 12,804,727 | (260,667) | (2.04)% |
| Total Liabilities | 30,350,436 | 27,617,543 | 2,732,893 | 9.90 % |
| **Deferred Inflows of Resources** | 3,244,175 | 4,124,900 | (880,725) | (21.35)% |
| **Net Position** | | | | |
| Net Investment in Capital Assets | 45,710,899 | 45,512,124 | 198,775 | 0.44 % |
| Unrestricted (Deficit) | (13,270,686) | (3,250,472) | (10,020,214) | (308.27)% |
| Total Net Position | $ 32,440,213 | $ 42,261,652 | $ (9,821,439) | (23.24)% |

The decrease in current and other assets is primarily related to decreases in cash balances.

Capital assets remained the same as the prior year, as the Village did not provide information on additions, deletions, depreciation expense, or accumulated depreciation.

Net Pension asset – proportionate share represents the Village's share of the New York State and Local Employees' Retirement System's (ERS) collective net pension asset, at the measurement date of the respective year. In the current year, the Village's proportionate share shifted from an asset to a liability. The accompanying Notes to Financial Statements, Note 11 "Pension Plans – New York State" provides additional information.

Deferred outflows of resources represents contributions to the pension plan subsequent to the measurement dates and actuarial adjustments of the plan that will be amortized in future years.

The increase in current and other liabilities is mainly due to increases in bond anticipation notes payable and collections in advance, offset by decreases in accrued liabilities and other liabilities. The increase in bond anticipation notes payable is the result of proceeds of BANs, offset by BANs redeemed from appropriations.

The decrease in long-term liabilities is the result of repayments of the current maturity of bond and lease liabilities, offset by the increase in compensated absences.

Net pension liability – proportionate share represents the Village's share of the ERS' collective net pension liability, at the measurement date of the respective year. The increase is due to the shift from a net pension asset in the prior year, to net pension liability in the current year. The accompanying Notes to Financial Statements, Note 11 "Pension Plans – New York State" provides additional information.

Total OPEB liability decreased, based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 12 "Postemployment Healthcare Benefits", provides additional information.

Deferred inflows of resources represents actuarial adjustments of the pension and OPEB plans that will be amortized in future years.

The net investment in capital assets is the investment in capital assets at cost, net of related outstanding debt. This number increased over the prior year as follows:

| | Increase (Decrease) |
|---|---|
| Repayment of bonds | $ 650,000 |
| Capital related accounts payable | 49,606 |
| Issuance of leases | (354,971) |
| Repayment of leases | 364,140 |
| Issuance of BANs | (7,789,716) |
| BANs redeemed from general fund appropriations | 7,279,716 |
| | $ 198,775 |

The unrestricted (deficit) amount relates to the balance of the Village's net position. Certain unfunded liabilities will have the effect of reducing the Village's unrestricted net position. One such unfunded liability is the total OPEB liability. In accordance with state guidelines, the Village is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the total OPEB liability.

## B. Changes in Net Position

The results of operations, as a whole, are reported in the Statement of Activities in a programmatic format. A summary of this statement for the years ended May 31, 2023 and 2022 is as follows:

| | 2023 | 2022 | Increase (Decrease) | Percentage Change |
|---|---|---|---|---|
| **Revenues** | | | | |
| Program Revenues | | | | |
| Charges for Services | $ 5,604,049 | $ 5,058,802 | $ 545,247 | 10.78 % |
| Operating Grants | 55,290 | 41,290 | 14,000 | 33.91 % |
| Capital Grants | 396,960 | 527,120 | (130,160) | (24.69)% |
| General Revenues | | | | |
| Property Taxes | 6,516,149 | 6,300,434 | 215,715 | 3.42 % |
| State Sources | 571,857 | 683,263 | (111,406) | (16.30)% |
| Other | 1,535,269 | 1,002,402 | 532,867 | 53.16 % |
| Total Revenues | 14,679,574 | 13,613,311 | 1,066,263 | 7.83 % |
| **Expenses** | | | | |
| General Government | 4,987,939 | 1,660,769 | 3,327,170 | 200.34 % |
| Public Safety | 2,895,383 | 1,072,785 | 1,822,598 | 169.89 % |
| Transportation | 3,423,983 | 2,214,399 | 1,209,584 | 54.62 % |
| Econ. Opportunity & Develop. | 62,566 | 48,994 | 13,572 | 27.70 % |
| Culture and Recreation | 12,367,453 | 3,532,992 | 8,834,461 | 250.06 % |
| Home and Community | 569,759 | 205,021 | 364,738 | 177.90 % |
| Debt Service - Interest | 193,930 | 100,509 | 93,421 | 92.95 % |
| Total Expenses | 24,501,013 | 8,835,469 | 15,665,544 | 177.30 % |
| Change in Net Position | $ (9,821,439) | $ 4,777,842 | $ (14,599,281) | (305.56)% |

The Village's net position decreased by $9,821,439 for the year ended May 31, 2023, and increased by $4,777,842 for the year ended May 31, 2022.

The Village's revenues increased when compared to prior year, primarily due to the following changes:

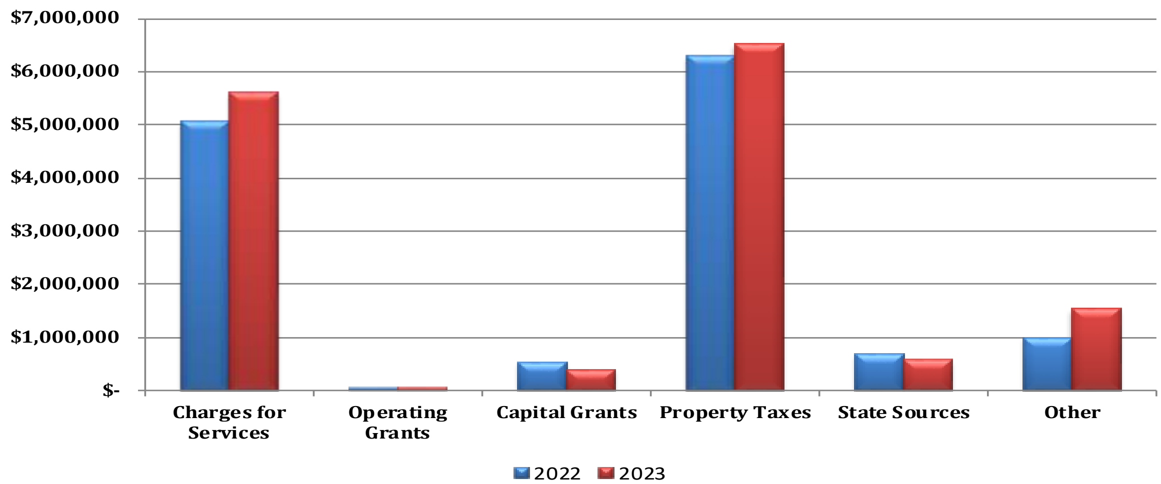
- Charges for services increased as a result of increased licenses and permits, zoning fees, and fines and forfeitures.
- Other revenues increased due to higher interest earnings.
- Capital grants and state sources decreased as a result of decreased state aid and county aid received for various capital projects.

The Village's expenses increased when compared to the prior year, primarily due to the following changes:

- General government, public safety, transportation, culture and recreation, and home and community increased based on the impact of allocations of the net change in actuarially determined pension expense for the employee retirement system, and OPEB costs, and increased costs related to capital projects.

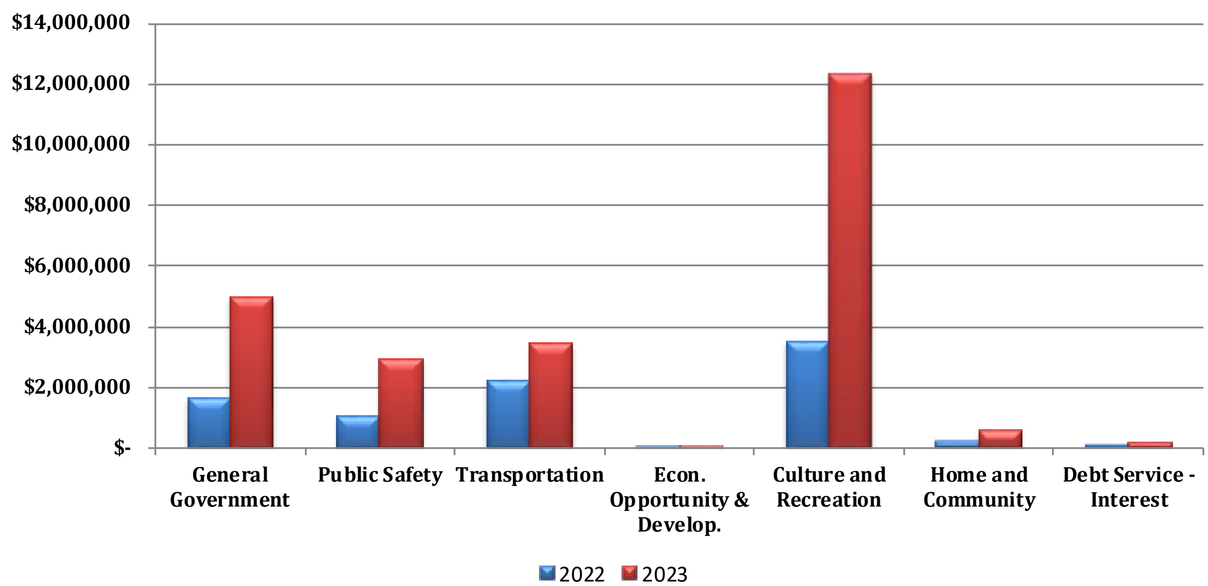
As indicated on the graphs that follow, real property taxes is the largest component of revenues recognized (i.e., 44.4% and 46.3% of the total for the years 2023 and 2022, respectively). Culture and recreation is the largest category of expenses incurred (i.e., 50.5% and 40.0% of the total for the years 2023 and 2022, respectively).

A graphic display of the distribution of revenues for the two years follows:




| | Charges for Services | Operating Grants | Capital Grants | Property Taxes | State Sources | Other |
|---|---|---|---|---|---|---|
| **2022** | 37.2% | 0.3% | 3.9% | 46.3% | 5.0% | 7.3% |
| **2023** | 38.2% | 0.4% | 2.7% | 44.4% | 3.9% | 10.4% |

A graphic display of the distribution of expenses for the two years follows:




| | General Government | Public Safety | Transportation | Econ. Opportunity & Develop. | Culture and Recreation | Home and Community | Debt Service - Interest |
|---|---|---|---|---|---|---|---|
| **2022** | 18.8% | 12.1% | 25.1% | 0.6% | 40.0% | 2.3% | 1.1% |
| **2023** | 20.4% | 11.7% | 14.0% | 0.3% | 50.5% | 2.3% | 0.8% |

## 4. FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

At May 31, 2023, the Village's governmental funds reported a combined fund balance (deficit) of $4,254,968, which is a decrease of $4,752,108 from the prior year. This decrease is due to an excess of expenditures and other financing uses over revenues and other financing sources, based upon the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

| | 2023 | 2022 | Increase (Decrease) | Percentage Change |
|---|---|---|---|---|
| **General Fund** | | | | |
| Assigned: Appropriated fund balance | $ 257,882 | - | 257,882 | N/A |
| Unassigned: Fund balance | 2,314,632 | 1,832,325 | 482,307 | 26.32 % |
| | 2,572,514 | 1,832,325 | 740,189 | 40.40 % |
| **Country Club Fund** | | | | |
| Nonspendable: | | | | |
| Prepaids | 8,379 | - | 8,379 | N/A |
| Assigned: Unappropriated fund balance | 1,281,641 | 805,630 | 476,011 | 59.09 % |
| | 1,290,020 | 805,630 | 484,390 | 60.13 % |
| **Capital Projects Fund** | | | | |
| Unassigned: Fund balance (deficit) | (8,117,502) | (2,140,815) | (5,976,687) | (279.18)% |
| Total Fund Balance (Deficit) | $ (4,254,968) | $ 497,140 | $ (4,752,108) | (955.89)% |

### A. General Fund

The net change in the general fund – fund balance is a net increase of $740,189, compared to an increase of $64,241 in 2022 . This resulted from revenues in excess of expenditures and other financing uses.

The following is a summary of the changes that resulted in revenues increasing over the prior year:

| | 2023 | 2022 | Increase (Decrease) | Percentage Change |
|---|---|---|---|---|
| Real Property Taxes | $ 6,444,798 | $ 6,373,427 | $ 71,371 | 1.12 % |
| Other Tax Items | 404,805 | 377,810 | 26,995 | 7.15 % |
| Nonproperty Taxes | 392,208 | 362,268 | 29,940 | 8.26 % |
| Other Local Revenue | 3,062,229 | 2,253,458 | 808,771 | 35.89 % |
| State Sources | 627,147 | 724,553 | (97,406) | (13.44)% |
| Federal Sources | 245,582 | 97,740 | 147,842 | 151.26 % |
| | $ 11,176,769 | $ 10,189,256 | $ 987,513 | 9.69 % |

- Other local revenue increased as a result of higher interest earnings, and increased licenses and permits, and departmental income. The Village experienced an increase in permits filed during the year, when compared to the prior year, and an increase in planning board fees.

- Federal sources increased as the Village received, and incurred expenses on, federal American Rescue Plan Act (ARPA) funds.
- State sources decreased due to less mortgage tax aid.

The following is a summary of the changes that resulted in expenditures and other financing uses increasing over the prior year:

| | 2023 | 2022 | Increase (Decrease) | Percentage Change |
|---|---|---|---|---|
| General Support | $ 2,250,760 | $ 2,146,963 | $ 103,797 | 4.83 % |
| Public Safety | 1,030,423 | 1,053,625 | (23,202) | (2.20)% |
| Transportation | 1,813,368 | 1,688,030 | 125,338 | 7.43 % |
| Economic Opportunity and Development | 62,566 | 48,994 | 13,572 | 27.70 % |
| Culture and Recreation | 1,409,529 | 1,261,880 | 147,649 | 11.70 % |
| Home and Community Services | 287,141 | 333,488 | (46,347) | (13.90)% |
| Employee Benefits | 2,054,986 | 2,099,120 | (44,134) | (2.10)% |
| Debt Service | 1,121,354 | 992,020 | 129,334 | 13.04 % |
| Other Financing Uses | 406,453 | 500,895 | (94,442) | (18.85)% |
| | $ 10,436,580 | $ 10,125,015 | $ 311,565 | 3.08 % |

- Culture and recreation increased mainly due to various program costs incurred in the current year that were not incurred in the prior year.
- Transportation increased due to increased equipment repairs and various street and sidewalk projects.
- Debt service increased as a result of repayments of the current maturity of bond and lease liability indebtedness.
- Other financing uses decreased as a result of decreased transfers to the capital projects fund, to fund various projects.

**B. Country Club Fund**

The country club fund – fund balance net increase represents revenues in excess of expenditures.

**C. Capital Projects Fund**

The capital projects fund – fund balance deficit net increase is due to expenditures incurred during the year on capital projects in excess of capital grants, transfers from the general fund, and BANs redeemed from appropriations.

## 5. GENERAL FUND BUDGETARY HIGHLIGHTS

### A. 2022-2023 Budget

The Village's general fund adopted budget for the year ended May 31, 2023 was $10,593,804. The budget was funded through estimated revenues. The majority of this funding source was $6,463,152 in estimated property taxes.

### B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)

The general fund's unassigned fund balance is the component of total fund balance that is the residual of current and prior years' excess revenues over expenditures and other financing uses, net of appropriations to fund the subsequent year's budget. The change in this balance demonstrated through a comparison of the actual revenues and expenditures and other financing uses for the year compared to budget follows:

| | |
|---|---|
| Opening, Unassigned Fund Balance | $ 1,832,325 |
| Revenues Over Budget | 582,965 |
| Expenditures and Other Financing Uses Under Budget | 157,224 |
| Appropriated for the 2023-2024 Budget | (257,882) |
| Closing, Unassigned Fund Balance | $ 2,314,632 |

Opening, Unassigned Fund Balance

The $1,832,325 shown in the table is the portion of the Village's May 31, 2022 fund balance that was retained as unassigned.

Revenues Over Budget

The 2022-2023 final budget for revenues was $10,593,804. Actual revenues recognized for the year were $11,176,769. The excess of actual revenue over estimated or budgeted revenue was $582,965, which contributes directly to the change to the general fund unassigned fund balance from May 31, 2022 to May 31, 2023. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Expenditures and Other Financing Uses Under Budget

The 2022-2023 final budget for expenditures and other financing uses was $10,593,804. Actual expenditures and other financing uses as of May 31, 2023 were $10,436,580. The final budget variance was $157,224, which contributes directly to the change to the general fund unassigned fund balance from May 31, 2022 to May 31, 2023. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Appropriated Fund Balance

The Village has chosen to use $257,882 of the available May 31, 2023 unassigned fund balance to partially fund the 2023-2024 approved operating budget. As such, the May 31, 2023 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance at May 31, 2023 was $2,314,632.

## 6. CAPITAL ASSETS, DEBT ADMINISTRATION, AND OTHER LONG-TERM LIABILITIES

### A. Capital Assets

At May 31, 2023, the Village had invested in a broad range of capital assets, as indicated in the table below. A summary of the Village's capital assets, at May 31, 2023 and 2022 is as follows:

| | 2023 | 2022 | Increase (Decrease) |
|---|---|---|---|
| Land | $ 32,416,618 | $ 32,416,618 | $ - |
| Buildings | 17,599,156 | 17,599,156 | - |
| Equipment | 7,270,493 | 7,270,493 | - |
| Other | 684,561 | 684,561 | - |
| | $ 57,970,828 | $ 57,970,828 | $ - |

The Village has not provided asset additions, deletions, depreciation expense, or accumulated depreciation.

### B. Debt Administration

At May 31, 2023, the Village had combined debt of $3,981,719. The decreases in outstanding debt represent principal payments made throughout the year. A summary of the outstanding debt at May 31, 2023 and 2022 is as follows:

| | Issue Date | Interest Rate | 2023 | As Restated 2022 | Increase (Decrease) |
|---|---|---|---|---|---|
| **Bonds Payable** | | | | | |
| | 10/10/2019 | 0.60-2.75% | $ 2,510,000 | $ 3,065,000 | $ (555,000) |
| | 8/13/2020 | 1.125-2.00% | 540,000 | 635,000 | (95,000) |
| | | | $ 3,050,000 | $ 3,700,000 | $ (650,000) |
| **Lease Liabilities** | | | | | |
| | Various | Various | $ 931,719 | $ 940,888 | $ (9,169) |

The Village implemented GASB Statement No. 87 during the May 31, 2023 year; the May 31, 2022 balances have been restated to reflect the addition of lease liabilities.

### C. Other Long-Term Liabilities

Included in the Village's long-term liabilities are the estimated amounts due for compensated absences, which are based on employment contracts, and net pension liability – proportionate share and total OPEB liability, which are based on actuarial valuations. A summary of the outstanding other long-term liabilities at May 31, 2023 and 2022 is as follows:

| | 2023 | 2022 | Increase (Decrease) |
|---|---|---|---|
| Compensated absences | $ 544,031 | $ 489,098 | $ 54,933 |
| Net pension liability - proportionate share | 2,967,912 | - | 2,967,912 |
| Total OPEB liability | 12,544,060 | 12,804,727 | (260,667) |
| | $ 16,056,003 | $ 13,293,825 | $ 2,762,178 |

## 7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

### A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, for the year ending May 31, 2024 is $11,371,826. This is an increase of $778,022 or 7.34% over the previous year's budget.

The Village budgeted revenues other than real property taxes at a $382,673 increase over the prior year's estimate. Assigned, appropriated fund balance was applied to the budget in the amount of $257,882. A property tax increase of 2.13% was needed to meet the revenue shortfall and cover the increase in budgeted appropriations.

### B. Future Budgets

Dwindling state and federal support of initiatives established during the pandemic, the continued need for additional resources, fluctuating rates in this inflationary environment, and increases in charges of goods, and borrowing costs may impact the Village's future budgets.

### C. Tax Cap

New York State law limits the increase in the property tax levy of municipalities to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. Municipalities may override the tax levy limit by first passing a law that allows for the tax levy limit to be exceeded. A subsequent vote to override the tax levy limit requires a 60% vote of total voting power of the governing board to pass (i.e., super majority). Based on the law, the Village's tax levy cap for 2023-2024 is 3.65%. The Village's 2023-2024 property tax increase of 2.13% was less than the tax cap and did not require an override vote.

## 8. CONTACTING THE VILLAGE

This financial report is designed to provide the reader with a general overview of the Village's finances and to demonstrate the Village's accountability for the funds it receives. Requests for additional information can be directed to:

Ms. Lauren Sheprow
Village Mayor
Incorporated Village of Port Jefferson
121 West Broadway
Port Jefferson, NY 11777

**INCORPORATED VILLAGE OF PORT JEFFERSON**
**Statement of Net Position**
May 31, 2023

| | |
|---|---|
| **ASSETS** | |
| Cash: Unrestricted | $ 5,696,571 |
| Receivables | |
| Accounts receivable | 159,088 |
| Taxes receivable | 178,896 |
| Prepaids | 8,379 |
| Inventory | 97,343 |
| Capital assets | 57,970,828 |
| Total Assets | 64,111,105 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Pensions | 1,923,719 |
| **LIABILITIES** | |
| Payables | |
| Accounts payable | 852,770 |
| Accrued liabilities | 276,776 |
| Due to other governments | 34,329 |
| Due to employees' retirement system | 76,728 |
| Other liabilities | 532,167 |
| Unearned credits: Collections in advance | 750,228 |
| Notes payable: Bond anticipation | 7,789,716 |
| Long-term liabilities | |
| Due and payable within one year | |
| Bonds payable | 655,000 |
| Lease liabilities | 386,340 |
| Due and payable after one year | |
| Bonds payable | 2,395,000 |
| Lease liabilities | 545,379 |
| Compensated absences payable | 544,031 |
| Net pension liability - proportionate share | 2,967,912 |
| Total other postemployment benefits | 12,544,060 |
| Total Liabilities | 30,350,436 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Pensions | 256,198 |
| Other postemployment benefits | 2,987,977 |
| Total Deferred Inflows of Resources | 3,244,175 |
| **NET POSITION** | |
| Net investment in capital assets | 45,710,899 |
| Unrestricted (deficit) | (13,270,686) |
| Total Net Position | $ 32,440,213 |

**INCORPORATED VILLAGE OF PORT JEFFERSON**
**Statement of Activities**
For the Year Ended May 31, 2023

| | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants | Program Revenues: Capital Grants | Net (Expense) Revenue and Changes in Net Position |
|---|---|---|---|---|---|
| **FUNCTIONS/PROGRAMS** | | | | | |
| General government | $ 4,987,939 | $ 2,626,495 | $ | $ | $ (2,361,444) |
| Public safety | 2,895,383 | | | | (2,895,383) |
| Transportation | 3,423,983 | | 55,290 | 396,960 | (2,971,733) |
| Economic opportunity and development | 62,566 | | | | (62,566) |
| Culture and recreation | 12,367,453 | 2,949,482 | | | (9,417,971) |
| Home and community | 569,759 | 28,072 | | | (541,687) |
| Debt service - interest | 193,930 | | | | (193,930) |
| Total Functions and Programs | $ 24,501,013 | $ 5,604,049 | $ 55,290 | $ 396,960 | (18,444,714) |
| **GENERAL REVENUES** | | | | | |
| Real property taxes | | | | | 6,516,149 |
| Other tax items | | | | | 404,805 |
| Nonproperty taxes | | | | | 392,208 |
| Use of money and property | | | | | 256,487 |
| Sale of property and compensation for loss | | | | | 31,568 |
| Miscellaneous | | | | | 204,619 |
| State aid | | | | | 571,857 |
| Federal aid | | | | | 245,582 |
| Total General Revenues | | | | | 8,623,275 |
| Change in Net Position | | | | | (9,821,439) |
| Total Net Position - Beginning of Year, as Restated | | | | | 42,261,652 |
| Total Net Position - End of Year | | | | | $ 32,440,213 |

**INCORPORATED VILLAGE OF PORT JEFFERSON**
**Balance Sheet - Governmental Funds**
May 31, 2023

| | General | Community Development | Country Club | Capital Projects | Total Governmental Funds |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash: Unrestricted | $ 3,592,439 | $ 13,631 | $ 1,826,996 | $ 263,505 | $ 5,696,571 |
| Receivables | | | | | |
| Accounts receivable | 37,374 | | 121,714 | | 159,088 |
| Taxes receivable | 178,896 | | | | 178,896 |
| Due from other funds | 568,392 | | | | 568,392 |
| Prepaids | | | 8,379 | | 8,379 |
| Inventory | | | 97,343 | | 97,343 |
| Total Assets | $ 4,377,101 | $ 13,631 | $ 2,054,432 | $ 263,505 | $ 6,708,669 |
| **LIABILITIES** | | | | | |
| Payables | | | | | |
| Accounts payable | $ 202,053 | $ | $ 162,223 | $ 488,494 | $ 852,770 |
| Accrued liabilities | 107,917 | | 98,464 | | 206,381 |
| Due to other funds | | 13,631 | 451,964 | 102,797 | 568,392 |
| Due to other governments | 34,329 | | | | 34,329 |
| Due to employees' retirement system | 65,188 | | 11,540 | | 76,728 |
| Other liabilities | 532,167 | | | | 532,167 |
| Unearned credits: Collections in advance | 710,007 | | 40,221 | | 750,228 |
| Notes payable: Bond anticipation | | | | 7,789,716 | 7,789,716 |
| Total Liabilities | 1,651,661 | 13,631 | 764,412 | 8,381,007 | 10,810,711 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Unavailable revenue | 123,087 | | | | 123,087 |
| Premium on obligation | 29,839 | | | | 29,839 |
| Total Deferred Inflows of Resources | 152,926 | - | - | - | 152,926 |
| **FUND BALANCES (DEFICIT)** | | | | | |
| Nonspendable: | | | | | |
| Prepaids | | | 8,379 | | 8,379 |
| Assigned: | | | | | |
| Appropriated fund balance | 257,882 | | | | 257,882 |
| Unappropriated fund balance | | | 1,281,641 | | 1,281,641 |
| Unassigned: Fund balance (deficit) | 2,314,632 | | | (8,117,502) | (5,802,870) |
| Total Fund Balances (Deficit) | 2,572,514 | - | 1,290,020 | (8,117,502) | (4,254,968) |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | $ 4,377,101 | $ 13,631 | $ 2,054,432 | $ 263,505 | $ 6,708,669 |

**INCORPORATED VILLAGE OF PORT JEFFERSON**
**Reconciliation of the Governmental Funds Balance Sheet**
**to the Statement of Net Position**
May 31, 2023

| | | |
|---|---|---|
| Total Governmental Fund Balances (Deficit) | | $ (4,254,968) |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| The costs of building and acquiring capital assets financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the Village as a whole, and their original costs should be expensed annually over their useful lives. | | |
| Original cost of capital assets | $ 57,970,828 | |
| Less: Accumulated depreciation | - | |
| | | 57,970,828 |
| Proportionate share of long-term liability, as well as deferred outflows and inflows associated with participation in the state retirement system are not current financial resources or liabilities and are not reported in the funds. | | |
| Deferred outflows of resources | 1,923,719 | |
| Net pension liability - employees' retirement system | (2,967,912) | |
| Deferred inflows of resources | (256,198) | |
| | | (1,300,391) |
| Total other postemployment benefits liability and deferred outflows of resources related to providing benefits in retirement are not current financial resources or liabilities and are not reported in the funds. | | |
| Total other postemployment benefits liability | (12,544,060) | |
| Deferred inflows of resources | (2,987,977) | |
| | | (15,532,037) |
| Some of the Village's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position. | | 152,926 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of: | | |
| Accrued interest on debt | (70,395) | |
| Bonds payable | (3,050,000) | |
| Lease liabilities | (931,719) | |
| Compensated absences payable | (544,031) | |
| | | (4,596,145) |
| Total Net Position | | $ 32,440,213 |

**INCORPORATED VILLAGE OF PORT JEFFERSON**
**Statement of Revenues, Expenditures**
**and Changes in Fund Balances - Governmental Funds**
For the Year Ended May 31, 2023

| | General | Community Development | Country Club | Capital Projects | Total Governmental Funds |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Real property taxes | $ 6,444,798 | $ | $ | $ | $ 6,444,798 |
| Real property tax items | 404,805 | | | | 404,805 |
| Non-property taxes | 392,208 | | | | 392,208 |
| Departmental income | 1,715,630 | | 2,949,482 | | 4,665,112 |
| Intergovernmental charges | 28,072 | | | | 28,072 |
| Use of money and property | 201,464 | | 55,023 | | 256,487 |
| Licenses and permits | 464,249 | | | | 464,249 |
| Fines and forfeitures | 446,616 | | | | 446,616 |
| Sale of property and compensation for loss | 31,418 | | 150 | | 31,568 |
| Miscellaneous | 174,780 | | | 47,757 | 222,537 |
| State aid | 627,147 | | | 349,203 | 976,350 |
| Federal aid | 245,582 | | | | 245,582 |
| Total Revenues | 11,176,769 | - | 3,004,655 | 396,960 | 14,578,384 |
| **EXPENDITURES** | | | | | |
| General government | 2,250,760 | | 58,043 | 541,810 | 2,850,613 |
| Public safety | 1,030,423 | | | | 1,030,423 |
| Transportation | 1,813,368 | | | 12,443 | 1,825,811 |
| Economic opportunity and development | 62,566 | | | | 62,566 |
| Culture and recreation | 1,409,529 | | 1,826,109 | 6,820,818 | 10,056,456 |
| Home and community | 287,141 | | | | 287,141 |
| Employee benefits | 2,054,986 | | 354,093 | | 2,409,079 |
| Debt service | | | | | |
| Principal | 989,112 | | 265,028 | | 1,254,140 |
| Interest | 132,242 | | 16,992 | | 149,234 |
| Total Expenditures | 10,030,127 | - | 2,520,265 | 7,375,071 | 19,925,463 |
| Excess (Deficiency) of Revenues Over Expenditures | 1,146,642 | - | 484,390 | (6,978,111) | (5,347,079) |
| **OTHER FINANCING SOURCES AND (USES)** | | | | | |
| Proceeds of debt - leases | | | | 354,971 | 354,971 |
| BANs redeemed from appropriations | | | | 240,000 | 240,000 |
| Operating transfers in | | | | 406,453 | 406,453 |
| Operating transfers (out) | (406,453) | | | | (406,453) |
| Total Other Financing Sources and (Uses) | (406,453) | - | - | 1,001,424 | 594,971 |
| Net Change in Fund Balances | 740,189 | - | 484,390 | (5,976,687) | (4,752,108) |
| Fund Balances (Deficit) - Beginning of Year | 1,832,325 | - | 805,630 | (2,140,815) | 497,140 |
| End of Year | $ 2,572,514 | $ - | $ 1,290,020 | $ (8,117,502) | $ (4,254,968) |

**INCORPORATED VILLAGE OF PORT JEFFERSON**
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities**
For the Year Ended May 31, 2023

| | | |
|---|---|---|
| Net Change in Fund Balances | | $ (4,752,108) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Long-Term Revenue and Expense Differences | | |
| In the Statement of Activities, certain operating revenues are measured by the amounts earned during the year. In the governmental funds, however, revenues for these items are measured by the amount of financial resources provided (essentially, the amounts actually received). | $ 101,190 | |
| Certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, but are expensed in the Statement of Activities. | | |
| Increase in compensated absences payable | (54,933) | |
| | | 46,257 |
| Long-Term Debt Transactions Differences | | |
| Bond anticipation notes redeemed from governmental fund appropriations are an other funding source in the governmental funds, but they do not affect the Statement of Activities. | (240,000) | |
| Proceeds from the issuance of lease liabilities are other financing sources in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities. | (354,971) | |
| Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. | | |
| Bonds payable | 650,000 | |
| Lease liabilities | 364,140 | |
| Bond anticipation note payable | 240,000 | |
| Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest increased from May 31, 2022 to May 31, 2023. | (44,696) | |
| | | 614,473 |
| Pension and Other Postemployment Benefits Differences | | |
| The change in the proportionate share of the collective pension expense of the state retirement plan and the service award program, and the change in other postemployment benefits expense reported in the Statement of Activities did not affect current financial resources and, therefore, are not reported in the governmental funds. | | |
| Employees' retirement system | (611,925) | |
| Other postemployment benefits | (5,118,136) | |
| | | (5,730,061) |
| Change in Net Position of Governmental Activities | | $ (9,821,439) |

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Incorporated Village of Port Jefferson (Village) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the Village are as follows:

### A. Reporting Entity

The Village is governed by Municipal Law and other general laws of the State of New York. The Board is the legislative body responsible for overall operations, the Mayor serves as chief executive officer and the Treasurer serves as chief fiscal officer.

The following basic services are provided: general government support, public safety, transportation, economic opportunity and development, culture and recreation, and home and community service.

The financial reporting entity is based on criteria set forth by GASB. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the Village. The Village is not a component unit of another reporting entity. The decision to include a potential component unit in the Village's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no other entities that would be included in the Village's reporting entity.

### B. Basis of Presentation

<u>Government-Wide Financial Statements</u>

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the Village. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while capital grants reflect capital-specific grants, if applicable.

The Statement of Net Position presents the financial position of the Village at fiscal year end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Employee benefits are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including real property taxes and state aid, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Village's funds. The Village's financial statements present the following fund type:

***Governmental Funds -*** are those through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources, and the related liabilities are accounted for through governmental funds. The emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the Village's major governmental funds:

***General Fund*** - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

***Special Revenue Funds*** - are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Community Development Fund - This fund is used to account for community development block grants received from the U.S. Department of Housing and Urban Development (HUD) passed through Suffolk County.

Country Club Fund - This fund is used to account for the activities relating to the country club.

***Capital Projects Fund*** – is used to account for the financial resources used for the acquisition, construction, renovation, or major repair of capital facilities and other capital assets, such as equipment.

### C. Measurement Focus and Basis of Accounting

Measurement focus describes what type of information is reported, and is either the economic resources measurement focus or the current financial resources measurement focus. The economic resources measurement focus reports all assets, liabilities, and deferred resources related to a given activity, as well as transactions of the period that affect net position. For example, all assets, whether financial (e.g., cash and receivables) or capital (e.g., property and equipment) and liabilities (including long-term debt and obligations) are reported. The current financial resources measurement focus reports more narrowly on assets, liabilities, and deferred resources that are relevant to near-term liquidity, along with net changes resulting from transactions of the period. Consequently, capital assets and the unmatured portion of long-term debt and certain other liabilities the Village would not expect to liquidate currently with expendable available financial resources (e.g., compensated absences for employees still in active service) would not be reported.

Basis of accounting describes when changes are recognized, and is either the accrual basis of accounting or the modified accrual basis of accounting. The accrual basis of accounting recognizes changes in net position when the underlying event occurs, regardless of the timing of related cash flows. The modified accrual basis of accounting recognizes changes only at the point they affect near-term liquidity.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Village gives or receives value without directly receiving or giving equal value in exchange, include real property taxes, state aid, grants, and donations. On an accrual basis, revenue from real property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from state aid is recognized in the fiscal year it is apportioned by the state. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The Village considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, lease liabilities, compensated absences, pension costs, and OPEB, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

### D. Real Property Taxes

Real property taxes are levied no later than May 15$^{th}$ and become a lien on June 1$^{st}$. The Village collects its own taxes. Taxes are collected during the month of June without penalty. A 5% penalty is assessed on taxes paid after July 1$^{st}$, and an additional 1% is assessed each month on taxes paid after July. Unpaid Village taxes can be collected through tax sales.

### E. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net resources are available, the Village's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes to Financial Statements.

### F. Interfund Transactions

The operations of the Village include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The Village typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include transfers to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the Village must account for in other funds in accordance with budgetary authorizations.

In the government-wide statements, eliminations have been made for all interfund receivables and payables among the funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables are netted on the accompanying governmental funds balance sheet when it is the Village's practice to settle these amounts at a net balance based upon the right of legal offset.

A detailed disclosure by individual fund for interfund receivables, payables, transfers in, and transfers out activity is provided subsequently in these Notes to Financial Statements.

### G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 disclosure of contingencies at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences, pension costs, and OPEB.

### H. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank deposits, and investments with a maturity date of three months or less from date of acquisition.

Certain cash balances can be restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

### I. Receivables

Receivables are shown net of an allowance for uncollectibles, if any. However, no allowance for uncollectibles has been provided since it is believed that such allowance would not be material.

### J. Prepaid Items

Prepaid items represent payments made by the Village for which benefits extend beyond year end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as assets on the Statement of Net Position and Balance Sheet using the consumption method. Under the consumption method, a current asset for the prepaid item is recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of fund balance has been classified as nonspendable to indicate that prepaids does not constitute available spendable resources.

### K. Capital Assets

Capital assets are reflected in the government-wide financial statements. Capital assets are reported at actual cost, when the information is available. Donated assets are reported at acquisition value at the date of donation.

No depreciation has been provided on capital assets.

| | Capitalization Threshold | Estimated Useful Life |
|---|---|---|
| Land | $ 500 | N/A |
| Building | 500 | 10-40 Years |
| Equipment | 500 | 3-10 Years |
| Other | 500 | 3-10 Years |

**L. Deferred Outflows of Resources**

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net assets that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The Village has one item that qualifies for reporting in this category. The item is related to pensions and consists of the Village's proportionate share of changes in the collective net pension asset not included in collective pension expense and the Village's contributions to the pension system subsequent to the measurement date.

**M. Short-Term Debt**

The Village may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. The notes, or renewal thereof, may not extend more than two years beyond the original date of issue, unless a portion is redeemed within two years and within each twelve month period thereafter.

**N. Collections in Advance**

Collections in advance arise when resources are received by the Village before it has a legal claim to them, as when charges for services monies are received in advance from payers prior to the services being rendered by the Village. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the Village has legal claim to the resources.

**O. Employee Benefits – Compensated Absences**

Compensated absences consist of unpaid accumulated sick leave, vacation leave, and compensatory absences.

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Upon retirement, resignation, or death, employees may contractually receive a payment based on unused accumulated sick leave.

Vacation and compensatory absence eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods.

The liability for compensated absences has been calculated using the vesting method and an accrual for that liability is included in the government-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

**P. Other Benefits**

Eligible Village employees participate in the ERS.

The Village provides individual or family health insurance coverage for active employees pursuant to collective bargaining agreements and individual employment contracts.

In addition to providing these benefits, the Village provides individual, family or surviving spouse postemployment health insurance coverage for eligible retired employees. Collective bargaining agreements and individual employment contracts determine if Village employees are eligible for these benefits if they reach normal retirement age while working for the Village. Healthcare benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the Village and the retired employee. The Village recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the government-wide statements, the cost of postemployment health insurance coverage is recognized on the economic resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

### Q. Long-Term Debt

The Village borrows money in order to acquire land or equipment, construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government. The repayment of principal and interest will be in the general fund and country club fund.

### R. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net assets that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue/expense credit) until that time. The Village has two items that qualify for reporting in this category. The first item is related to pensions reported in the government-wide Statement of Net Position and consists of the Village's proportionate share of changes in the collective net pension liability not included in collective pension expense. The second item is related to OPEB reported in the district-wide Statement of Net Position and represents and change in the total OPEB liability not included in OPEB expense.

### S. Equity Classifications

Government-Wide Statements

In the government-wide statements there are two classes of net position:

*Net investment in capital assets* – Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction, and improvements of those assets, net of any unexpended proceeds. The Village has not provided for accumulated depreciation.

*Unrestricted* – Reports the balance of net position that does not meet the definition of the above classification.

Fund Statements

The fund statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used, as follows:

*Restricted* – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. Currently, the Village does not have any restricted reserves.

*Assigned* – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the Village's Board. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual, positive amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget.

*Unassigned* – Represents the residual classification for the Village's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending of available resources.

Fund Balance Classification

Any portion of fund balance may be applied or transferred for a specific purpose by law, voter approval if required by law or by formal action of the Board if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board.

The Board shall delegate the authority to assign fund balance, for encumbrance purposes, to the person(s) to whom it has delegated the authority to sign purchase orders.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or Board approved budget revision and then from the assigned fund balance to the extent that there is an appropriation and then from the unassigned fund balance.

## 2. CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended May 31, 2023, the Village implemented GASB Statement No. 87, *Leases*, which provides guidance for identifying certain leased assets and liabilities for leases that were previously classified as operating leases or capital leases and recognized as inflows or outflows of resources based on payment provisions of the contract.

## 3. FUTURE ACCOUNTING STANDARDS

The GASB Statements are issued to set GAAP for state and local governments. The following is not an all-inclusive list of GASB statements issued, but statements that the Village feels may have a future impact on these financial statements. The Village will evaluate the impact of these pronouncements and implement them, as applicable, if material.

| Effective for the Year Ending | Statement |
|---|---|
| May 31, 2024 | GASB No. 99 – *Omnibus 2022* |
| May 31, 2025 | GASB No. 101 – *Compensated Absences* |

GASB Statement No. 99 provides additional guidance to enhance comparability in accounting and financial reporting to improve consistency of previously issued literature.

GASB Statement No. 101 was issued to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and amending previously required disclosures.

## 4. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENT-WIDE STATEMENTS AND THE GOVERNMENTAL FUND STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the government-wide statements and the governmental fund statements, certain financial transactions are treated differently. The financial statements contain a full reconciliation of these items.

### A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the Village's governmental funds differ from net position of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and deferred outflows of resources, and long-term assets and liabilities, and deferred inflows of resources.

### B. Statement of Revenues, Expenditures, and Changes in Fund Balances vs. Statement of Activities

Differences between the Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities fall into any of three broad categories.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a current financial resources measurement focus and the modified accrual basis, whereas the economic resources measurement focus and the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses, such as compensated absences.

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal payments are recorded as expenditures in the fund statements when due and payable, whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

Pension and Other Postemployment Benefits Differences

Pension differences occur as a result of recognizing pension costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan, versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the Village's proportionate share of the collective pension expense of the plan.

OPEB differences occur as a result of recognizing OPEB costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized for premiums and other postemployment benefit costs as they mature (come due for payment), versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the future cost of benefits in retirement over the term of employment.

## 5. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budgets

The Village's administration submits a proposed budget for approval by the Board for the general fund. The tentative budget includes proposed expenditures and the proposed means of financing. A public hearing is held on the tentative budget by April 15th. After completion of the budget hearing, the Board may further change the tentative budget. Such budget, as so revised, shall be adopted by resolution no later than May 1st. All subsequent modifications of the budget must be approved by the Board.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of the encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year.

Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriations of fund balance. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

Budgets are adopted annually on a basis consistent with GAAP.

Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

### B. Capital Projects Fund

The capital projects fund has an unassigned fund balance deficit of $8,117,502. This will be funded when the Village obtains permanent financing for its current construction project.

## 6. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The Village's investment policies are governed by state statutes and Village policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities. Collateral is required for demand and time deposits, and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

Custodial credit risk is the risk that in the event of a bank failure, the Village may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

A. Uncollateralized,
B. Collateralized by securities held by the pledging financial institution, or
C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the Village's name.

The Village's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities pledged on the Village's behalf at year end.

The Village did not have any investments at year end or during the year. Consequently, the Village was not exposed to any material interest rate risk or foreign currency risk.

**Investment pool:**

The Village participates in the New York Cooperative Liquid Assets Securities System (NYCLASS), a multi-municipal cooperative investment pool agreement pursuant to General Municipal Law (GML) Article 3-A and 5-G, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. All NYCLASS portfolio holdings are collateralized in accordance with GML §10.

The District's investments in NYCLASS consisted of repurchase agreements, U.S. Treasury Securities, and collateralized bank deposits, with various interest rates and due dates. These investments are included in cash as follows:

| Fund | Carrying Amount |
|---|---|
| General | $ 1,810,799 |

Securities, other than repurchase agreements, are valued at the most recent market bid price as obtained from one or more market makers for such securities. Repurchase agreements are recorded at cost, which approximates fair value. The Lead Participant of NYCLASS is the Village of Potsdam. Additional information concerning NYCLASS, including the annual report, can be found on its website at www.newyorkclass.org.

## 7. CAPITAL ASSETS

### A. Changes

Capital asset balances and activity for the year ended May 31, 2023 were as follows:

| | Balance May 31, 2022 | Additions | Reductions | Balance May 31, 2023 |
|---|---|---|---|---|
| Land | $ 32,416,618 | $ | $ | $ 32,416,618 |
| Buildings | 17,599,156 | | | 17,599,156 |
| Equipment | 7,270,493 | | | 7,270,493 |
| Other | 684,561 | | | 684,561 |
| | $ 57,970,828 | $ - | $ - | $ 57,970,828 |

The Village has not provided asset additions, reductions, depreciation expense, or accumulated depreciation.

## 8. INTERFUND TRANSACTIONS

Interfund balances and activities at May 31, 2023, are as follows:

| | Interfund Receivable | Interfund Payable | Transfers In | Transfers Out |
|---|---|---|---|---|
| General Fund | $ 568,392 | $ | $ | $ 406,453 |
| Community Development Fund | | 13,631 | | |
| Country Club Fund | | 451,964 | | |
| Capital Projects Fund | | 102,797 | 406,453 | |
| | $ 568,392 | $ 568,392 | $ 406,453 | $ 406,453 |

The Village typically transfers from the general fund to the capital projects fund per the approved budget. The transfers to the capital projects fund was to provide funding for capital improvement projects.

## 9. SHORT-TERM DEBT

Short-term debt activity for the year is summarized below:

| | Maturity | Stated Interest Rate | Balance May 31, 2022 | Issued | Redeemed | Balance May 31, 2023 |
|---|---|---|---|---|---|---|
| BAN | 10/14/2022 | 0.37% | $ 2,079,716 | $ | $ (2,079,716) | $ - |
| BAN | 4/26/2023 | 2.01% | 5,200,000 | | (5,200,000) | - |
| BAN | 10/13/2023 | 3.70% | - | 1,839,716 | | 1,839,716 |
| BAN | 10/13/2023 | 4.50% | - | 950,000 | | 950,000 |
| BAN | 4/25/2024 | 4.00% | - | 5,000,000 | | 5,000,000 |
| | | | $ 7,279,716 | $ 7,789,716 | $ (7,279,716) | $ 7,789,716 |

Interest on short-term debt for the year was composed of:

| | |
|---|---|
| Interest paid | $ 105,559 |
| Less interest accrued in the prior year | (14,850) |
| Plus interest accrued in the current year | 59,941 |
| Total interest expense on short-term debt | $ 150,650 |

## 10. LONG-TERM LIABILITIES

### A. Changes

During the year ended May 31, 2023, the Village implemented GASB Statement No. 87, which resulted in the inclusion of lease liabilities. As a result, long-term liabilities at May 31, 2022 were increased $471,033. Long-term liability balances and activity, excluding pension and total OPEB liabilities, for the year are summarized below:

| | As Restated Balance May 31, 2022 | Additions | Reductions | Balance May 31, 2023 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Long-term debt: | | | | | |
| Bonds payable | $ 3,700,000 | $ | $ (650,000) | $ 3,050,000 | $ 655,000 |
| Lease liabilities | 940,888 | 354,971 | (364,140) | 931,719 | 386,340 |
| | 4,640,888 | 354,971 | (1,014,140) | 3,981,719 | 1,041,340 |
| Other long-term liabilities: | | | | | |
| Compensated absences | 489,098 | 54,933 | | 544,031 | |
| | $ 5,129,986 | $ 409,904 | $ (1,014,140) | $ 4,525,750 | $ 1,041,340 |

The general fund has typically been used to liquidate other long-term liabilities.

Additions and reductions to compensated absences are shown net since it is impractical to separately determine these amounts. The maturity of compensated absences is not determinable.

## B. Bonds Payable

Bonds payable is comprised of the following:

| Description | Issue Date | Final Maturity | Interest Rate | Outstanding at May 31, 2023 |
|---|---|---|---|---|
| 2019 Refunding bond | 10/10/2019 | 10/1/2028 | 0.60-2.75% | $ 2,510,000 |
| 2020 Bond | 8/13/2020 | 8/1/2030 | 1.125-2.00% | 540,000 |
| | | | | $ 3,050,000 |

The following is a summary of debt service requirements for bonds payable:
`

| Year Ending May 31, | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 655,000 | $ 45,622 | $ 700,622 |
| 2025 | 645,000 | 37,225 | 682,225 |
| 2026 | 640,000 | 27,828 | 667,828 |
| 2027 | 630,000 | 16,855 | 646,855 |
| 2028 | 200,000 | 8,706 | 208,706 |
| 2029-2031 | 280,000 | 5,488 | 285,488 |
| Total | $ 3,050,000 | $ 141,724 | $ 3,191,724 |

## C. Lease Liabilities

Lease liabilities are comprised of the following:

| Description | Issue Date | Final Maturity | Interest Rate | Outstanding at May 31, 2023 |
|---|---|---|---|---|
| Ford F-250 (multiple) | 1/14/2019 | 10/14/2023 | 6.20% | $ 11,250 |
| Various/multiple equipment | 6/27/2019 | 5/27/2024 | 4.10% | 98,345 |
| 2020 Dodge Durango (multiple) | 12/3/2020 | 11/3/2024 | 0.31% | 41,470 |
| Street maintenance equipment | 5/15/2021 | 4/15/2025 | 0.58% | 11,580 |
| Trash Compactors | 5/18/2021 | 4/18/2024 | 4.10% | 20,023 |
| Golf carts | 8/1/2021 | 7/1/2026 | 0.66% | 219,312 |
| 2021 Ford F-150 | 8/26/2021 | 7/26/2025 | 0.65% | 20,932 |
| Street maintenance equipment | 9/15/2021 | 8/15/2025 | 0.62% | 25,739 |
| 2021 Ford F-350 | 1/3/2022 | 12/3/2026 | 1.37% | 53,998 |
| 2021 Ford F-350 | 1/12/2022 | 12/12/2026 | 1.50% | 63,883 |
| 2021 Ford F-350 | 1/14/2022 | 12/14/2026 | 1.55% | 68,894 |
| Wheel Loader | 6/1/2022 | 5/1/2025 | 2.95% | 104,125 |
| Wheel Loader | 6/7/2022 | 5/7/2026 | 2.95% | 27,935 |
| Golf cart GPS | 2/1/2023 | 1/1/2027 | 3.62% | 103,526 |
| 2022 Ford Ranger | 2/3/2023 | 1/3/2027 | 3.82% | 30,427 |
| 2022 Ford Ranger | 2/13/2023 | 1/13/2027 | 4.08% | 30,280 |
| | | | | $ 931,719 |

The following is a summary of debt service requirements for lease liabilities:

| Year Ending May 31, | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 386,340 | $ 16,427 | $ 402,767 |
| 2025 | 248,460 | 8,934 | 257,394 |
| 2026 | 212,440 | 4,647 | 217,087 |
| 2027 | 84,479 | 695 | 85,174 |
| Total | $ 931,719 | $ 30,703 | $ 962,422 |

## D. Interest Expense

Interest on long-term debt for the year was composed of:

| | |
|---|---|
| Interest paid | $ 43,675 |
| Less interest accrued in the prior year | (10,849) |
| Plus interest accrued in the current year | 10,454 |
| Total interest expense on long-term debt | $ 43,280 |

## 11. PENSION PLANS – NEW YORK STATE

### A. General Information

The Village participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple employer, defined benefit, public employee retirement system. The system provides retirement, disability, withdrawal and death benefits to plan members and beneficiaries related to years of service and final average salary.

### B. Provisions and Administration

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the Fund and is the administrative head of the ERS. Once a public employer elects to participate in the ERS, 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 ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

### C. Funding Policies

Plan members who joined the system before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The Village paid 100% of the required contributions as billed by the ERS for the current year. The Village's average contribution rate was 12.20% of covered payroll for the ERS' fiscal year ended March 31, 2023.

The Village's share of the required contributions, based on covered payroll for the Village's year ended May 31, 2023 was $410,364 at the contribution rate of 10.88%.

### D. Pension Asset/(Liability), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At May 31, 2023, the Village reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for the NYSLRS. The net pension asset/(liability) was measured as of March 31, 2023. The total pension liability used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The Village's proportion of the net pension asset/(liability) was based on a projection of the Village's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the NYSLRS in reports provided to the Village.

| | |
|---|---|
| Measurement date | March 31, 2023 |
| Village's proportionate share of the net pension liability | $ (2,967,912) |
| Village's portion of the Plan's total pension liability | 0.0138403% |
| Change in proportion since the prior measurement date | (0.0005668) |

For the year ended May 31, 2023, the Village recognized a pension expense of $1,027,624. At May 31, 2023, the Village reported deferred outflows and inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 316,106 | $ 83,350 |
| Changes of assumptions | 1,441,409 | 15,930 |
| Net difference between projected and actual investment earnings on pension plan investments | | 17,436 |
| Changes in proportion and differences between the Village's contributions and proportionate share of contributions | 89,475 | 139,482 |
| Village contributions subsequent to the measurement date | 76,729 | |
| Total | $ 1,923,719 | $ 256,198 |

Village contributions, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending May 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending May 31, | |
|---|---|
| 2024 | $ 370,446 |
| 2025 | (174,808) |
| 2026 | 602,987 |
| 2027 | 792,167 |
| | $ 1,590,792 |

Actuarial Assumptions

The total pension asset as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

| | |
|---|---|
| Measurement date | March 31, 2023 |
| Actuarial valuation date | April 1, 2022 |
| Inflation | 2.90% |
| Salary increases | 4.40% |
| Investment rate of return (net of investment expense, including inflation) | 5.90% |
| Cost of living adjustments | 1.50% |

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 system experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2021. The previous actuarial valuation as of April 1, 2020 used the same assumptions for the measurement of total pension liability. The actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

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

The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

| | Target Allocation | Long-term Expected Real Rate of Return |
|---|---|---|
| Measurement date | | March 31, 2023 |
| Asset class | | |
| Domestic equity | 32.0% | 4.30% |
| International equity | 15.0% | 6.85% |
| Real estate equity | 9.0% | 4.60% |
| Private equity | 10.0% | 7.50% |
| Alternatives investments | 10.0% | 5.38-5.84% |
| Fixed income | 23.0% | 1.50% |
| Cash | 1.0% | 0.00% |
| | 100.0% | |

Real rates of return are net of a long-term inflation assumption of 2.5%.

Discount Rate

The discount rate used to measure the total pension asset was 5.90%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon 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 asset.

Sensitivity of the Proportionate Share of the Net Pension Asset/(Liability) to the Discount Rate Assumption

The following presents the Village's proportionate share of the net pension asset/(liability) calculated using the discount rate of 5.90%, as well as what the Village's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (4.90%) or 1 percentage point higher (6.90%) than the current rate:

| | 1% Decrease 4.90% | Current Assumption 5.90% | 1% Increase 6.90% |
|---|---|---|---|
| Village's proportionate share of the net pension asset (liability) | $ (7,172,170) | $ (2,967,912) | $ 545,235 |

Pension Plan Fiduciary Net Position

The components of the current-year net pension asset/(liability) of the employers as of the measurement date were as follows:

| Measurement date | March 31, 2023 *(Dollars in Thousands)* |
|---|---|
| Employers' total pension liability | $ (232,627,259) |
| Plan fiduciary net position | 211,183,223 |
| Employers' net pension liability | $ (21,444,036) |
| Ratio of plan fiduciary net position to the employers' total pension liability | 90.78% |

Payables to the Pension Plan

Employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of May 31, 2023, represent the projected employer contribution for the period of April 1, 2022 through May 31, 2023 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2023 amounted to $76,728 of employer contributions. Employee contributions are remitted monthly.

## 12. POSTEMPLOYMENT HEALTHCARE BENEFITS

### A. General Information about the OPEB Plan

*Plan Description* – The Village provides OPEB for eligible retired employees of the Village. The benefits provided to employees upon retirement are based on provisions in the various contracts that the Village has in place with different classifications of employees. The plan is a single-employer defined benefit OPEB plan administered through the New York State Health Insurance Program-Empire Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

*Benefits Provided* – The Village provides healthcare benefits and Medicare Part B coverage for eligible retirees. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the Village offices and are available upon request.

*Employees Covered by Benefit Terms* – At May 31, 2023, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 21 |
| Inactive employees entitled to but not yet receiving benefits | - |
| Active employees | 50 |
| | 71 |

## B. Total OPEB Liability

The Village's total OPEB liability of $12,544,060 was measured as of May 31, 2023, and was determined by an actuarial valuation as of May 31, 2022. Update procedures were used to roll forward the total OPEB liability to the measurement date.

*Actuarial Assumptions and Other Inputs* – The total OPEB liability as of the measurement date was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | | |
|---|---|---|
| Salary increases | 2.50% | average, including inflation |
| Discount rate | 3.90% | |
| Healthcare cost trend rates | 5.75% | decreasing to an ultimate rate of 5.00% by 2025 |
| Retirees' share of benefit-related costs | 25.00% | of projected health insurance premiums for retirees |

The discount rate was changed from 3.40% used at the May 31, 2022 measurement date, to 3.90%, which is based on the 20-year AA Municipal GO Bond Rate Index.

Mortality rates were based in accordance with the SOA RP-2014 Total Dataset, as appropriate, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor. The plan does not have credible data on which to perform an experience study. As a result, a full actuarial experience study is not applicable.

## C. Changes in the Total OPEB Liability

| | |
|---|---|
| Balance at May 31, 2022 | $ 12,804,727 |
| | |
| Changes for the year | |
| Service cost | 677,229 |
| Interest on total OPEB liability | 429,634 |
| Changes in assumptions or other inputs | (1,030,639) |
| Benefit payments | (336,891) |
| | (260,667) |
| | |
| Balance at May 31, 2023 | $ 12,544,060 |

Changes in assumptions and other inputs reflect a change in the discount rate from 3.40% in 2022 to 3.90% in 2023.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* – The following presents the total OPEB liability of the Village, as well as what the Village's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.90%) or 1 percentage point higher (4.90%) than the current discount rate:

| OPEB | 1% Decrease 2.90% | Discount Rate 3.90% | 1% Increase 4.90% |
|---|---|---|---|
| Total OPEB liability | $ (14,734,898) | $ (12,544,060) | $ (10,805,789) |

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates* – The following presents the total OPEB liability of the Village, as well as what the Village's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.75% decreasing to 4.00%) or 1 percentage point higher (6.75% decreasing to 6.00%) than the current healthcare cost trend rate:

| OPEB | 4.75% decreasing to 4.00% | Healthcare Cost Cost Trend Rates 5.75% decreasing to 5.00% | 6.75% decreasing to 6.00% |
|---|---|---|---|
| Total OPEB liability | $ (10,395,842) | $ (12,544,060) | $ (15,348,118) |

## D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended May 31, 2023, the Village recognized OPEB expense of $5,118,136. At May 31, 2023, the Village reported deferred inflows of resources related to OPEB from the following sources:

| | Deferred Inflows of Resources |
|---|---|
| Differences between expected and actual experience | $ 1,041,023 |
| Changes of assumptions or other inputs | 1,946,954 |
| Total | $ 2,987,977 |

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

| Year Ending May 31, | Amount |
|---|---|
| 2024 | $ 433,488 |
| 2025 | 433,491 |
| 2026 | 583,569 |
| 2027 | 583,569 |
| 2028 | 806,625 |
| Thereafter | 147,235 |
| | $ 2,987,977 |

## 13. RISK MANAGEMENT

### A. General Information

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

## 14. COMMITMENTS AND CONTINGENCIES

### A. Grants

The Village has received grants, which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the Village's administration believes disallowances, if any, would be immaterial.

### B. Certiorari Proceedings

From time to time, the Village is involved in certiorari proceedings under which taxpayers seek reduction in the assessed value of property upon which taxes are measured. A reduction in assessed valuation may result in a refund of real property taxes previously paid by the claimant. It is not possible to estimate the amount of refunds, if any, that the Village may be required to make for taxes collected through May 31, 2023, which could affect future operating budgets of the Village.

### C. Litigation

The Village is not aware of any material pending or threatened litigation claims against the Village. The Village is also unaware of any unasserted claims or assessments that would require financial statement disclosure.

## 15. SUBSEQUENT EVENTS

The Village has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements, except for the following:

On October 12, 2023, the Village issued bond anticipation notes in the amount of $2,549,000, which are due October 11, 2024 and bear interest at 4.79%.

**INCORPORATED VILLAGE OF PORT JEFFERSON**
**Schedule of Revenues, Expenditures and Changes in Fund Balance**
**Budget and Actual - General Fund**
For the Year Ended May 31, 2023

| | Original Budget | Final Budget | Actual | Final Budget Variance with Actual |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Local Sources | | | | |
| Real Property Taxes | $ 6,463,152 | $ 6,463,152 | $ 6,444,798 | $ (18,354) |
| Real Property Tax Items | | | | |
| Tax assessment | 311,000 | 311,000 | 338,916 | 27,916 |
| Interest & penalties | 40,000 | 40,000 | 15,121 | (24,879) |
| Tax lien redemption | - | - | 50,768 | 50,768 |
| Total Real Property Tax Items | 351,000 | 351,000 | 404,805 | 53,805 |
| Non-Property Taxes | | | | |
| Utilities gross receipts tax | 190,000 | 190,000 | 218,121 | 28,121 |
| Franchises | 180,000 | 180,000 | 174,087 | (5,913) |
| Total Non-Property Taxes | 370,000 | 370,000 | 392,208 | 22,208 |
| Departmental Income | | | | |
| Zoning & planning board fees | 45,000 | 45,000 | 215,016 | 170,016 |
| Safety inspection fees | 55,000 | 55,000 | 25,675 | (29,325) |
| Health | 125,000 | 125,000 | 114,882 | (10,118) |
| Parking meter fees | 566,500 | 566,500 | 491,330 | (75,170) |
| Village center, concessions, rink & park fees | 885,000 | 885,000 | 868,727 | (16,273) |
| Total Departmental Income | 1,676,500 | 1,676,500 | 1,715,630 | 39,130 |
| Intergovernmental Charges | 10,000 | 10,000 | 28,072 | 18,072 |
| Use of Money and Property | 56,740 | 56,740 | 201,464 | 144,724 |
| Licenses and Permits | 245,000 | 245,000 | 464,249 | 219,249 |
| Fines and Forfeitures | 450,000 | 450,000 | 446,616 | (3,384) |
| Sale of Property & Compensation for Loss | | | | |
| Sale of equipment | 7,500 | 7,500 | 443 | (7,057) |
| Self insurance recoveries | - | - | 30,975 | 30,975 |
| Total Sale of Property & Compensation for Loss | 7,500 | 7,500 | 31,418 | 23,918 |
| Miscellaneous | | | | |
| Other miscellaneous | 8,500 | 8,500 | 174,780 | 166,280 |
| Total Local Sources | 9,638,392 | 9,638,392 | 10,304,040 | 665,648 |
| State Aid | | | | |
| Revenue sharing | 33,302 | 33,302 | 33,302 | - |
| Mortgage tax | 500,000 | 500,000 | 538,555 | 38,555 |
| Consolidated Highway Aid (CHIPS) | 324,000 | 324,000 | - | (324,000) |
| Other state aid | - | - | 55,290 | 55,290 |
| Total State Aid | 857,302 | 857,302 | 627,147 | (230,155) |
| Federal Aid | 98,110 | 98,110 | 245,582 | 147,472 |
| Total Revenues | $ 10,593,804 | $ 10,593,804 | 11,176,769 | $ 582,965 |

**Note to Required Supplementary Information**

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

**INCORPORATED VILLAGE OF PORT JEFFERSON**
**Schedule of Revenues, Expenditures and Changes in Fund Balance**
**Budget and Actual - General Fund (Continued)**
For the Year Ended May 31, 2023

| | Original Budget | Final Budget | Actual | Final Budget Variance with Actual |
|---|---|---|---|---|
| **EXPENDITURES** | | | | |
| General Government Support | | | | |
| Board of Trustees | $ 58,500 | $ 59,457 | $ 57,729 | $ 1,728 |
| Village Justice | 175,200 | 109,199 | 106,281 | 2,918 |
| Mayor | 38,000 | 36,436 | 34,977 | 1,459 |
| Treasurer | 449,900 | 508,850 | 508,850 | - |
| Assessment | 30,000 | 30,401 | 29,458 | 943 |
| Clerk | 448,900 | 404,164 | 399,344 | 4,820 |
| Law | 229,612 | 291,017 | 291,017 | - |
| Engineer | 151,616 | 150,737 | 150,737 | - |
| Elections | 5,600 | 2,557 | 2,557 | - |
| Special Items | 64,400 | 64,366 | 62,868 | 1,498 |
| Buildings | 274,257 | 261,496 | 255,722 | 5,774 |
| Unallocated Insurance | 350,000 | 351,221 | 351,220 | 1 |
| Total General Government Support | 2,275,985 | 2,269,901 | 2,250,760 | 19,141 |
| Public Safety | | | | |
| Police | 525,120 | 487,189 | 467,878 | 19,311 |
| Traffic Control | 35,000 | 37,539 | 37,539 | - |
| Parking | 216,200 | 243,608 | 243,608 | - |
| Safety Inspection | 230,000 | 288,225 | 281,398 | 6,827 |
| Total Public Safety | 1,006,320 | 1,056,561 | 1,030,423 | 26,138 |
| Transportation | | | | |
| Maintenance of Streets | 1,475,000 | 1,148,494 | 1,126,131 | 22,363 |
| Snow Removal | 180,000 | 79,617 | 79,617 | - |
| Street Lighting | 225,000 | 272,526 | 272,526 | - |
| Sidewalks | 150,000 | 248,969 | 248,968 | 1 |
| Off-Street Parking | 100,000 | 102,540 | 86,126 | 16,414 |
| Total Transportation | 2,130,000 | 1,852,146 | 1,813,368 | 38,778 |
| Economic Opportunity & Development | | | | |
| Programs For Aging | 63,700 | 63,634 | 62,566 | 1,068 |
| Culture & Recreation | | | | |
| Parks | 472,000 | 560,246 | 560,246 | - |
| Playground & Recreational Centers | 798,403 | 827,967 | 818,369 | 9,598 |
| Celebrations | 22,000 | 30,914 | 30,914 | - |
| Total Culture & Recreation | 1,292,403 | 1,419,127 | 1,409,529 | 9,598 |
| Home & Community | | | | |
| Drainage | 100,000 | 14,919 | 13,081 | 1,838 |
| Planning | 226,000 | 149,277 | 137,407 | 11,870 |
| Environmental | 40,000 | 53,728 | 49,288 | 4,440 |
| Refuse & Garbage | 123,000 | 87,365 | 87,365 | - |
| Total Home & Community | 489,000 | 305,289 | 287,141 | 18,148 |

**INCORPORATED VILLAGE OF PORT JEFFERSON**
**Schedule of Revenues, Expenditures and Changes in Fund Balance**
**Budget and Actual - General Fund (Continued)**
For the Year Ended May 31, 2023

| | Original Budget | Final Budget | Actual | Final Budget Variance with Actual |
|---|---|---|---|---|
| **EXPENDITURES (Continued)** | | | | |
| Employee Benefits | | | | |
| State retirement | $ 460,257 | $ 350,248 | $ 328,772 | $ 21,476 |
| Service award program | 10,700 | 10,700 | 10,677 | 23 |
| Social security & Medicare | 295,000 | 287,872 | 279,127 | 8,745 |
| Workers' compensation | 137,000 | 120,096 | 115,484 | 4,612 |
| Life insurance | 6,500 | - | - | - |
| Unemployment insurance | 20,000 | - | - | - |
| Disability insurance | 2,000 | 2,024 | 2,024 | - |
| Hospital & medical insurance | 1,126,972 | 1,283,113 | 1,279,047 | 4,066 |
| Accrued leave | 20,000 | 40,223 | 39,855 | 368 |
| Total Employee Benefits | 2,078,429 | 2,094,276 | 2,054,986 | 39,290 |
| Debt Service | | | | |
| Principal | 765,000 | 989,112 | 989,112 | - |
| Interest | 92,967 | 137,305 | 132,242 | 5,063 |
| Total Debt Service | 857,967 | 1,126,417 | 1,121,354 | 5,063 |
| Total Expenditures | 10,193,804 | 10,187,351 | 10,030,127 | 157,224 |
| **OTHER FINANCING USES** | | | | |
| Operating Transfers Out | 400,000 | 406,453 | 406,453 | - |
| Total Expenditures and Other Financing Uses | $ 10,593,804 | $ 10,593,804 | 10,436,580 | $ 157,224 |
| Net Change in Fund Balance | | | 740,189 | |
| Fund Balance - Beginning of Year | | | 1,832,325 | |
| Fund Balance - End of Year | | | $ 2,572,514 | |

**Note to Required Supplementary Information**

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

**INCORPORATED VILLAGE OF PORT JEFFERSON**
**Schedule of the Village's Proportionate Share of the Net Pension Asset/(Liability)**
Last Five Fiscal Years

***Employees' Retirement System***

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Village's proportion of the net pension asset/(liability) | 0.0138403% | 0.0144071% | 0.0129621% | 0.0133129% | 0.0127564% |
| Village's proportionate share of the net pension asset/(liability) | $ (2,967,912) | $ 1,177,717 | $ (12,907) | $ (3,525,323) | $ (903,828) |
| Village's covered payroll | $ 3,782,089 | $ 3,766,114 | $ 3,781,691 | $ 3,635,314 | $ 3,386,392 |
| Village's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll | 78.47 % | 31.27 % | 0.34 % | 96.97 % | 26.69 % |
| Plan fiduciary net position as a percentage of the total pension liability | 90.78% | 103.65% | 99.95% | 86.39% | 96.27% |
| Discount rate | 5.90% | 5.90% | 5.90% | 7.10% | 7.25% |

*An additional year of historical information will be added each year, subsequent to the year of implementation until 10 years of historical data is available.*

**INCORPORATED VILLAGE OF PORT JEFFERSON**
**Schedule of Village Pension Contributions**
Last Five Fiscal Years

***Employees' Retirement System***

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Contractually required contribution | $ 410,364 | $ 576,519 | $ 497,234 | $ 485,475 | $ 471,316 |
| Contributions in relation to the contractually required contribution | 410,364 | 576,519 | 497,234 | 485,475 | 471,316 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Village's covered payroll | $ 3,772,545 | $ 3,756,610 | $ 3,780,253 | $ 3,628,005 | $ 3,386,392 |
| Contributions as a percentage of covered payroll | 11% | 15% | 13% | 13% | 14% |

*An additional year of historical information will be added each year, subsequent to the year of implementation until 10 years of historical data is available.*

**INCORPORATED VILLAGE OF PORT JEFFERSON**
**Schedule of Changes in the Village's Total OPEB Liability and Related Ratios**
Last Five Fiscal Years

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Total OPEB liability | | | | | |
| Service cost | $ 677,229 | $ 962,944 | $ 1,055,760 | $ 847,423 | $ 770,955 |
| Interest on total OPEB liability | 429,634 | 353,323 | 372,448 | 375,868 | 364,276 |
| Changes in benefit terms | - | - | - | - | - |
| Differences between expected and actual experience | - | (2,192,820) | - | 1,050,557 | - |
| Changes of assumptions or other inputs | (1,030,639) | (3,836,125) | 1,615,088 | 733,899 | 1,050,564 |
| Benefit payments | (336,891) | (297,451) | (252,709) | (216,484) | (143,149) |
| Net change in total OPEB liability | (260,667) | (5,010,129) | 2,790,587 | 2,791,263 | 2,042,646 |
| Total OPEB Liability, Beginning | 12,804,727 | 17,814,856 | 15,024,269 | 12,233,006 | 10,190,360 |
| Total OPEB Liability, Ending | $ 12,544,060 | $ 12,804,727 | $ 17,814,856 | $ 15,024,269 | $ 12,233,006 |
| Covered employee payroll | $ 2,686,284 | $ 2,686,284 | $ 2,952,488 | $ 2,952,488 | $ 2,913,999 |
| Total OPEB liability as a percentage of covered employee payroll | 466.97% | 476.67% | 603.38% | 508.87% | 419.80% |
| Discount rate | 3.90% | 3.40% | 2.00% | 2.50% | 3.10% |
| Healthcare trend rates | 5.75% to 5.00% By 2025 | 5.75% to 5.00% By 2025 | 5.75% to 5.00% By 2025 | 6.25% to 5.00% By 2025 | 6.25% to 5.00% By 2025 |

*An additional year of historical information will be added each year, subsequent to the year of implementation until 10 years of historical data is available.*

**Notes to Required Supplementary Information**

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.