



**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORT**

May 31, 2019

INCORPORATED VILLAGE OF PORT JEFFERSON
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary fund of the Incorporated Village of Port Jefferson (Village), as of and for the year ended May 31, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Governmental Activities

The Village did not maintain adequate accounting records to support the reported capital assets amount and capital assets did not include general infrastructure, and accordingly, the Village has not recorded depreciation expense on capital assets. Accounting principles generally accepted in the United States of America require that all capital assets, including general infrastructure 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.

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Governmental Activities" paragraph, 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, 2019, or 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 respective financial position of each major fund and the fiduciary fund of the Incorporated Village of Port Jefferson, as of May 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As described in Note 2 to the financial statements, "Changes in Accounting Principles", the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of May 31, 2019. Also described in Note 2, the Village has adopted the provisions of GASB Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not Within the Scope of GASB Statement No. 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of May 31, 2019. Our opinion is not modified with respect to these matters.

Other Matters

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 liability, schedule of Village pension contributions, schedule of changes in the Village's total OPEB liability and related ratios and schedule of changes in the Village's service award program liability on pages 3 through 12 and 47 through 53, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Cullen & Danowski, LLP

December 6, 2019

INCORPORATED VILLAGE OF PORT JEFFERSON MANAGEMENT'S DISCUSSION AND ANALYSIS

The Incorporated Village of Port Jefferson's discussion and analysis of the financial performance provides an overall review of the Village's financial activities for the fiscal year ended May 31, 2019 in comparison with the year ended May 31, 2018, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

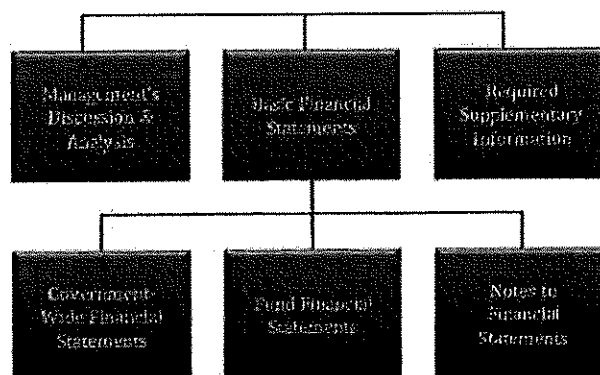
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2019 are as follows:

- The Village's total net position and the general fund's total fund balance at May 31, 2018 were restated and decreased by \$18,197,004 and increased by \$134,278, respectively, as a result of the required implementation of GASB accounting standards during the 2019 fiscal year.
- The Village's total net position, as reflected in the government-wide financial statements, decreased by \$839,386. This was due to an excess of expenses over revenues based on the economic resources measurement focus and the accrual basis of accounting.
- The Village's expenses for the year, as reflected in the government-wide financial statements, totaled \$13,549,585. Of this amount, \$4,045,161 was offset by program charges for services. General revenues of \$8,665,038 amount to 68.17% of total revenues, and were not sufficient to cover the balance of program expenses.
- The general fund's total fund balance, as reflected in the fund financial statements, decreased by \$485,239. This was due to an excess of expenditures and other financing uses over revenues based on the current financial resources measurement focus and the modified accrual basis of accounting. The resulting total fund balance at May 31, 2019 was \$931,666.
- On the balance sheet, the general fund's unassigned fund balance at year end was \$268,201, which represents a decrease of 54.9% from the prior year.
- The Village redeemed \$280,000 in BANs from general fund appropriations during the year.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (MD&A), the basic financial statements, and required supplementary information. The basic 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:



INCORPORATED VILLAGE OF PORT JEFFERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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.

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 flow 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 and the fiduciary fund.

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 that they become measurable and available. It recognizes expenditures in the period in which 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, 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

INCORPORATED VILLAGE OF PORT JEFFERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

reader may better understand the long-term impact of the Village's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains 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.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Village in its capacity as agent or trustee and utilize the economic resources measurement focus and the accrual basis of accounting. All of the Village's fiduciary activities are reported in a separate statement. The fiduciary activities have been excluded from the government-wide financial statements because the Village cannot use these assets to finance its operations.

3. FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

A. Net Position

The Village's total net position decreased by \$839,386 between fiscal year 2019 and 2018. As described in Note 13 in the accompanying Notes to Financial Statements, the May 31, 2018 net position balance was reduced by \$18,197,004 as a result of the implementation of GASB accounting standards. A summary of the Village's Statements of Net Position follows:

	2019	As Restated 2018	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	\$ 2,009,835	\$ 5,229,225	\$ (3,219,390)	(61.57)%
Capital Assets, Net	57,970,828	57,970,828	-	0.00 %
Total Assets	59,980,663	63,200,053	(3,219,390)	(5.09)%
Deferred Outflows of Resources	1,450,219	1,080,623	369,596	34.20 %
Liabilities				
Current and Other Liabilities	2,116,297	5,085,489	(2,969,192)	(58.39)%
Long-Term Liabilities	5,629,154	6,292,437	(663,283)	(10.54)%
Net Pension Liability - Proportionate Share	903,828	385,804	518,024	134.27 %
Service Award Program	209,848	217,371	(7,523)	(3.46)%
Total OPEB Obligation	12,233,006	10,190,360	2,042,646	20.04 %
Total Liabilities	21,092,133	22,171,461	(1,079,328)	(4.87)%
Deferred Inflows of Resources	353,070	1,284,150	(931,080)	(72.51)%
Net Position				
Net Investment in Capital Assets	51,620,483	50,710,447	910,036	1.79 %
Restricted	141,039	134,278	6,761	5.04 %
Unrestricted (Deficit)	(11,775,843)	(10,019,660)	(1,756,183)	(17.53)%
Total Net Position	\$ 39,985,679	\$ 40,825,065	\$ (839,386)	(2.06)%

INCORPORATED VILLAGE OF PORT JEFFERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Current and other assets decreased by \$3,219,390, as compared to the prior year. The decrease is primarily related to a decrease in cash of \$940,443 and due from other funds of \$2,247,979.

Deferred outflows of resources represents contributions to the retirement, service award program, and OPEB plans subsequent to the measurement dates and actuarial adjustments at the plan level that will be amortized in future years.

Current and other liabilities decreased by \$2,969,192 as compared to the prior year. This decrease is primarily attributable to a decrease in due to other funds (\$2,098,760), accounts payable (\$486,160) primarily reflected in amounts due for capital construction projects, and bond anticipation notes payable (\$280,000) due to the redemption of BANs.

Long-term liabilities decreased by \$663,283, as compared to the prior year. The decrease is attributable to principal payments on bonds and capital leases of \$726,814 and a decrease in compensated absences of \$36,338 offset by the issuance of a new capital lease in the amount of \$99,869.

Net pension liability – proportionate share increased by \$518,024 in the current year. This liability represents the Village's share of the New York State and Local Employees' Retirement System's collective net pension liability, at the measurement date of the respective year.

Length of service award program (LOSAP) liability decreased by \$7,523 as compared to the prior year based on results of the current year's actuarial valuation. The accompanying Notes to Financial Statements, Note 11 "Pension Plan – Length of Service Award Program", provides additional information.

Total other postemployment benefits (OPEB) obligation increased by \$2,042,646, 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 plan and service award program, which will be amortized in future years.

The net investment in capital assets is the investment in capital assets at cost such as land; buildings; equipment, and other, net of related outstanding debt. This number increased over the prior year as follows:

	<u>Increase (Decrease)</u>
Principal debt reduction of construction bonds	\$ 475,000
Principal debt reduction of installment capital leases	251,814
Issuance of capital leases	(99,869)
BANs redeemed from general fund appropriations	280,000
Prior period adjustment to capital leases	<u>3,091</u>
	<u>\$ 910,036</u>

The restricted amount of \$141,039 relates to the Village's service award program. This number increased over the prior year by \$6,761.

INCORPORATED VILLAGE OF PORT JEFFERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The unrestricted deficit amount of \$(11,775,843) relates to the balance of the Village's net position. 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 obligation.

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, 2019 and 2018 is as follows:

	2019	2018	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 4,045,161	\$ 3,846,062	\$ 199,099	5.18 %
Capital Grants		250,766	(250,766)	(100.00)%
General Revenues				
Property Taxes	6,398,553	6,308,042	90,511	1.43 %
State Sources	1,356,564	593,726	762,838	128.48 %
Other	909,921	850,807	59,114	6.95 %
Total Revenues	<u>12,710,199</u>	<u>11,849,403</u>	<u>860,796</u>	7.26 %
Expenses				
General Government	1,635,026	2,720,127	(1,085,101)	(39.89)%
Public Safety	1,713,828	1,555,479	158,349	10.18 %
Health	618,957	580,499	38,458	6.62 %
Transportation	4,333,005	2,972,923	1,360,082	45.75 %
Econ. Opportunity & Develop.	51,959	38,944	13,015	33.42 %
Culture and Recreation	4,267,428	3,966,365	301,063	7.59 %
Home and Community	747,901	569,948	177,953	31.22 %
Debt Service - Interest	181,481	267,781	(86,300)	(32.23)%
Total Expenses	<u>13,549,585</u>	<u>12,672,066</u>	<u>877,519</u>	6.92 %
Change in Net Position	<u>\$ (839,386)</u>	<u>\$ (822,663)</u>	<u>\$ (16,723)</u>	(2.03)%

The Village's net position decreased by \$839,386 and \$822,663 for the years ended May 31, 2019 and 2018, respectively.

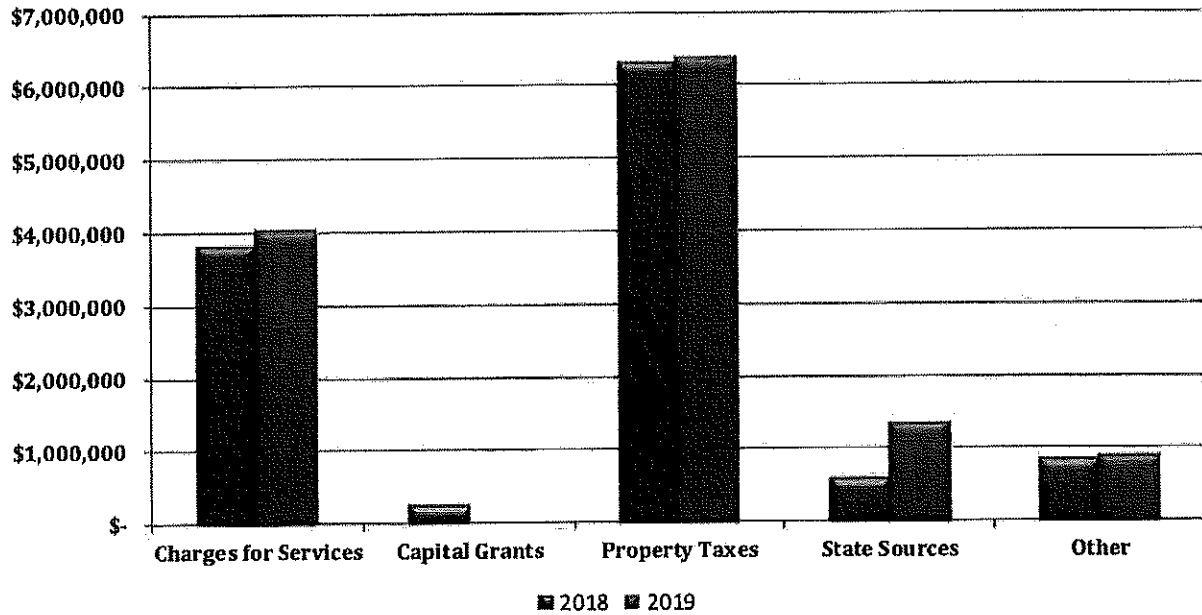
The Village's revenues increased by \$860,796 or 7.26%. The major factors that contributed to the increase were:

- Charges for services increased by \$199,099.
- The Village received more state aid in the current year than during the prior year.

As indicated on the graphs that follow, real property taxes is the largest component of revenues recognized (i.e., 50.3% and 53.2% of the total for the years 2019 and 2018, respectively). Culture and recreation is the largest category of expenses incurred (i.e., 31.5% and 31.3% of the total for the years 2019 and 2018, respectively).

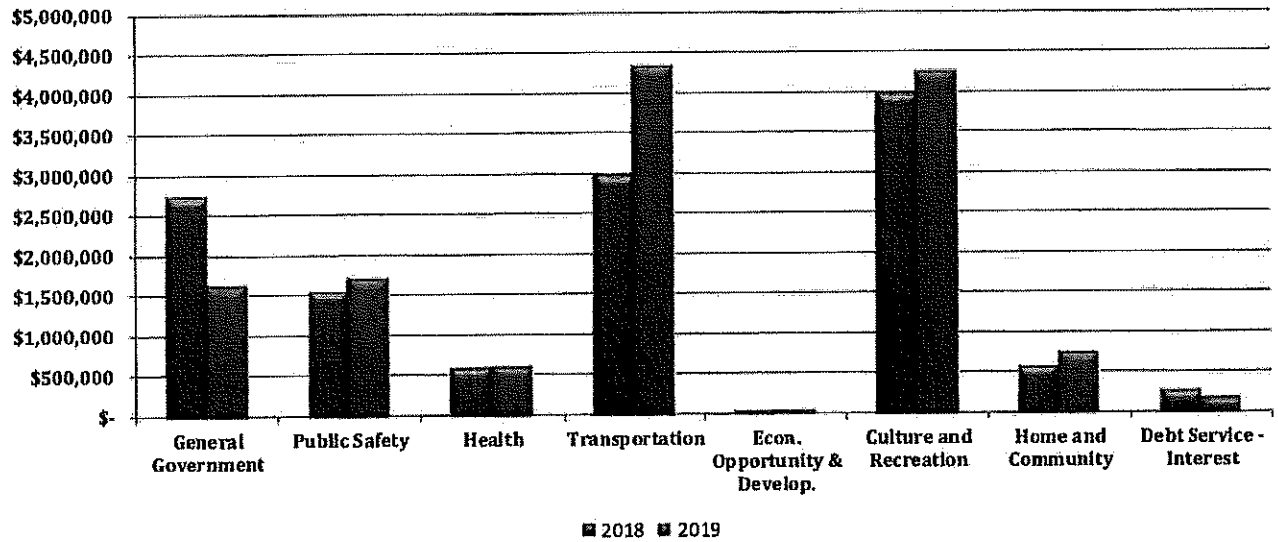
INCORPORATED VILLAGE OF PORT JEFFERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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



	Charges for Services	Capital Grants	Property Taxes	State Sources	Other
2018	32.5%	2.1%	53.2%	5.0%	7.2%
2019	31.8%	0.0%	50.3%	10.7%	7.2%

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



	General Government	Public Safety	Health	Transportation	Econ. Opportunity & Develop.	Culture and Recreation	Home and Community	Debt Service - Interest
2018	21.5%	12.2%	4.6%	23.5%	0.3%	31.3%	4.5%	2.1%
2019	12.1%	12.6%	4.6%	32.0%	0.4%	31.5%	5.5%	1.3%

INCORPORATED VILLAGE OF PORT JEFFERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

4. FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

At May 31, 2019, the Village's governmental funds reported a combined fund balance deficit of \$(170,144), which is a decrease of \$275,040 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:

	2019	2018	Increase (Decrease)
General Fund			
Nonspendable: Prepaids	\$ 172,626	\$ 254,649	\$ (82,023)
Restricted: Service award program	141,039	134,278	6,761
Assigned:			
Appropriated fund balance	190,000	273,500	(83,500)
Unappropriated fund balance	159,800	159,800	-
Unassigned: Fund balance	268,201	594,678	(326,477)
	<u>931,666</u>	<u>1,416,905</u>	<u>(485,239)</u>
Community Development Fund			
Assigned: Unappropriated fund balance	-	2,846	(2,846)
Unassigned: Fund balance (deficit)	(17,156)	-	(17,156)
	<u>(17,156)</u>	<u>2,846</u>	<u>(20,002)</u>
Country Club Fund			
Unassigned: Fund balance (deficit)	(370,073)	(263,307)	(106,766)
Capital Projects Fund			
Unassigned: Fund balance (deficit)	(714,581)	(1,051,548)	336,967
Total Fund Balance (Deficit)	<u>\$ (170,144)</u>	<u>\$ 104,896</u>	<u>\$ (275,040)</u>

A. General Fund

The net change in the general fund – fund balance is a decrease of \$485,239. This resulted from expenditures and other financing uses in excess of revenues.

B. Community Development Fund

The net change in the community development fund – fund balance is a decrease of \$20,002, which was the operating loss of the fund.

C. Country Club Fund

The net change in the country club fund – fund balance is a decrease of \$106,766.

D. Capital Projects Fund

The net change in the capital projects fund – fund balance is an increase of \$336,967. The Village transferred \$1,529,611 into the capital projects fund for various capital projects and redeemed \$280,000 in BANs. Additionally, the Village recorded \$99,869 in capital lease proceeds. Since all this work has not been completed, this resulted in the increase.

INCORPORATED VILLAGE OF PORT JEFFERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2018-2019 Budget

The Village's general fund adopted budget for the year ended May 31, 2019 was \$10,642,146. The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$6,358,999 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 prior years' excess revenues over expenditures, net of restricted amounts, assigned amounts, appropriations to fund the subsequent year's budget and amounts classified as nonspendable. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	\$ 594,678
Revenues Over Budget	489,823
Expenditures Over Budget	(701,561)
Net Change in Nonspendable Fund Balance	82,023
Change in Restricted Fund Balance	(6,762)
Apropriated for the 2020 Budget	<u>(190,000)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 268,201</u></u>

Opening, Unassigned Fund Balance

The \$594,678 shown in the table is the portion of the Village's May 31, 2018 fund balance that was retained as unassigned.

Revenues Over Budget

The 2018-2019 budget for revenues was \$10,368,645. Actual revenues recognized for the year were \$10,858,468. The excess of actual revenue over estimated or budgeted revenue was \$489,823, which contributes directly to the change to the general fund unassigned fund balance from May 31, 2018 to May 31, 2019.

Expenditures Over Budget

The 2018-2019 budget for expenditures was \$10,642,146. Actual expenditures and other financing uses as of May 31, 2019 were \$11,343,707. The final budget was over expended by \$701,561. This over expenditure contributes directly to the change to the general fund unassigned fund balance from May 31, 2018 to May 31, 2019.

Net Change in Nonspendable Fund Balance

The Village prepaid various amounts at May 31, 2019. The resulting balance sheet asset (prepaids) cannot be spent because it is not in spendable form, meaning it will not be converted to cash. Accordingly, an equal amount of fund balance is classified as Nonspendable. The decrease in Nonspendable fund balance increases unassigned fund balance.

INCORPORATED VILLAGE OF PORT JEFFERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Change in Restricted Fund Balances

The \$6,762 shown in the above table is the net change in the service award program assets.

Appropriated Fund Balance

The Village has chosen to use \$190,000 of the available May 31, 2019 unassigned fund balance to partially fund the 2019-2020 approved operating budget. As such, the May 31, 2019 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, 2019 was \$268,201.

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

A. Capital Assets

The Village's capital assets, as indicated in the following table, for its governmental activities as of May 31, 2019, amounts to \$57,970,828. A summary of the Village's capital assets, at May 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
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	
	<u>\$ 57,970,828</u>	<u>\$ 57,970,828</u>	<u>\$</u>

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

B. Debt Administration

At May 31, 2019, the Village had total bonds payable of \$4,540,000. The bonds were issued for road and golf course improvements. The decrease in outstanding debt represents principal payments. A summary of the outstanding debt at May 31, 2019 and 2018 is as follows:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
Bonds Payable					
	10/12/2011	2.00-3.00%	\$ 3,125,000	\$ 3,475,000	\$ (350,000)
	12/18/2013	2.00-4.00%	1,415,000	1,540,000	(125,000)
			<u>\$ 4,540,000</u>	<u>\$ 5,015,000</u>	<u>\$ (475,000)</u>

C. Other Long-Term Liabilities

Included in the Village's long-term liabilities are the estimated amounts due for capital leases, compensated absences, net pension liability - proportionate share, service award program liability, and total other

INCORPORATED VILLAGE OF PORT JEFFERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

postemployment benefits obligation. The compensated absences liability is based on employment contracts. The net pension liability – proportionate share, service award program liability, and the total other postemployment benefits obligation are based on actuarial valuations.

	2019	As Restated 2018	Increase (Decrease)
Capital leases payable	\$ 610,345	\$ 765,381	\$ (155,036)
Compensated absences	478,809	515,147	(36,338)
Net pension liability - proportionate share	903,828	1,669,954	(766,126)
Service award program liability	209,848	83,094	126,754
Total OPEB obligation	<u>12,233,006</u>	<u>10,190,360</u>	<u>2,042,646</u>
	<u>\$ 14,435,836</u>	<u>\$ 13,223,936</u>	<u>\$ 1,211,900</u>

The Village's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa3. The Village's outstanding serial bonds at May 31, 2019 are approximately 3.16% of the Village's debt limit.

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The Board of Trustees approved a \$10,310,869 general fund budget for the year ending May 31, 2020. This is a decrease of \$331,277 or 3.1% from the previous year. The decrease is mainly attributable to a decrease in ambulance services of \$271,019 and code enforcement of \$41,326.

The Village budgeted non-property tax revenues at a decrease of \$425,705 from the prior year, mainly in the ambulance charges revenue line. Additionally, the fund balance appropriated to partially fund the subsequent year's budget in the amount of \$190,000 represents a decrease of \$83,500 from the prior year. A property tax increase of \$94,428 or 1.48%, levy to levy, was needed to meet the funding shortfall.

B. 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. Villages may override the tax levy limit by first passing a law that allows for the tax levy limit to be exceeded. The override vote requires a 60% vote of the total voting power of the governing board. Based on the law, the Village's tax levy cap for 2019-2020 is 2.13%. The Village's 2019-2020 property tax increase of 1.48% 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. Denise Mordente
Village Treasurer
Incorporated Village of Port Jefferson
121 West Broadway
Port Jefferson, NY 11777

INCORPORATED VILLAGE OF PORT JEFFERSON
Statement of Net Position
May 31, 2019

ASSETS	
Cash: Unrestricted	\$ 1,423,634
Receivables	
Accounts receivable	156,681
Taxes receivable	115,855
Prepays	172,626
Service award program	141,039
Capital assets	<u>57,970,828</u>
Total Assets	<u>59,980,663</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	547,567
Service award program	2,169
Other postemployment benefits	<u>900,483</u>
Total Deferred Outflows of Resources	<u>1,450,219</u>
LIABILITIES	
Payables	
Accounts payable	373,079
Accrued liabilities	328,345
Due to fiduciary fund	98,518
Due to employees' retirement system	79,308
Unearned credits: Collections in advance	37,047
Notes payable: Bond anticipation	1,200,000
Long-term liabilities	
Due and payable within one year	
Bonds payable	500,000
Capital leases payable	241,950
Due and payable after one year	
Bonds payable	4,040,000
Capital leases payable	368,395
Compensated absences payable	478,809
Net pension liability - proportionate share	903,828
Service award program	209,848
Total other postemployment benefits obligation	<u>12,233,006</u>
Total Liabilities	<u>21,092,133</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	335,973
Service award program	<u>17,097</u>
Total Deferred Inflows of Resources	<u>353,070</u>
NET POSITION	
Net investment in capital assets	51,620,483
Restricted: Service award program	141,039
Unrestricted (deficit)	<u>(11,775,843)</u>
Total Net Position	<u>\$ 39,985,679</u>

INCORPORATED VILLAGE OF PORT JEFFERSON
Statement of Activities
For the Year Ended May 31, 2019

	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
FUNCTIONS/PROGRAMS			
General government	\$ 1,635,026	\$ 2,246,855	\$ 611,829
Public safety	1,713,828		(1,713,828)
Health	618,957		(618,957)
Transportation	4,333,005		(4,333,005)
Economic opportunity and development	51,959		(51,959)
Culture and recreation	4,267,428	1,789,581	(2,477,847)
Home and community	747,901	8,725	(739,176)
Debt service - interest	181,481		(181,481)
	<u>\$ 13,549,585</u>	<u>\$ 4,045,161</u>	<u>(9,504,424)</u>
Total Functions and Programs			
GENERAL REVENUES			
Real property taxes			6,398,553
Other tax items			299,307
Nonproperty taxes			362,667
Use of money and property			51,018
Sale of property and compensation for loss			41,419
Miscellaneous			140,630
State aid			1,356,564
Federal aid			14,880
			<u>8,665,038</u>
Total General Revenues			
Change in Net Position			(839,386)
Total Net Position - Beginning of Year, as Restated			<u>40,825,065</u>
Total Net Position - End of Year			<u>\$ 39,985,679</u>

INCORPORATED VILLAGE OF PORT JEFFERSON
Balance Sheet - Governmental Funds
May 31, 2019

	General	Community Development	Country Club	Capital Projects	Total Governmental Funds
ASSETS					
Cash: Unrestricted	\$ 977,898	\$ 13,651	\$ 220,438	\$ 211,647	\$ 1,423,634
Receivables					
Accounts receivable	65,094	29,340	62,247		156,681
Taxes receivable	115,855				115,855
Due from other funds	73,831			324,123	397,954
Prepays	172,626				172,626
Service award program	141,039				141,039
Total Assets	\$ 1,546,343	\$ 42,991	\$ 282,685	\$ 535,770	\$ 2,407,789
LIABILITIES					
Payables					
Accounts payable	\$ 211,845	\$ 5,460	\$ 105,423	\$ 50,351	\$ 373,079
Accrued liabilities	185,250		83,907		269,157
Due to other funds		54,687	441,785		496,472
Due to employees' retirement system	69,165		10,143		79,308
Unearned credits: Collections in advance	25,547		11,500		37,047
Notes payable: Bond anticipation				1,200,000	1,200,000
Total Liabilities	491,807	60,147	652,758	1,250,351	2,455,063
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	115,855				115,855
Premium on obligation	7,015				7,015
Total Deferred Inflows of Resources	122,870				122,870
FUND BALANCES (DEFICIT)					
Nonspendable: Prepays	172,626				172,626
Restricted: Service award program	141,039				141,039
Assigned:					
Appropriated fund balance	190,000				190,000
Unappropriated fund balance	159,800				159,800
Unassigned: Fund balance (deficit)	268,201	(17,156)	(370,073)	(714,581)	(833,609)
Total Fund Balances (Deficit)	931,666	(17,156)	(370,073)	(714,581)	(170,144)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,546,343	\$ 42,991	\$ 282,685	\$ 535,770	\$ 2,407,789

INCORPORATED VILLAGE OF PORT JEFFERSON
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
May 31, 2019

Total Governmental Fund Balances (Deficit) \$ (170,144)

Amounts reported for governmental activities in the Statement of Net Position are different because:

The costs of building and acquiring capital assets (land, buildings, equipment) 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	
Accumulated depreciation	<u>57,970,828</u>	57,970,828

Proportionate share of long-term liability, and deferred outflows and inflows associated with participation in the state retirement system are not current financial resources or obligations and are not reported in the funds.

Deferred outflows of resources	547,567	
Net pension liability - employees' retirement system	(903,828)	
Deferred inflows of resources	<u>(335,973)</u>	(692,234)

Proportionate share of long-term liability, and deferred outflows and inflows associated with participation in the service award program are not current financial resources or obligations and are not reported in the funds.

Deferred outflows of resources	2,169	
Service award program liability	(209,848)	
Deferred inflows of resources	<u>(17,097)</u>	(224,776)

Total other postemployment benefits obligation and deferred outflows of resources related to providing benefits in retirement are not current financial resources or obligation and are not reported in the funds.

Deferred outflows of resources	900,483	
Total other postemployment benefits obligation	<u>(12,233,006)</u>	(11,332,523)

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.

122,870

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 bonds payable	(59,188)	
Bonds payable	(4,540,000)	
Capital leases payable	(610,345)	
Compensated absences payable	<u>(478,809)</u>	(5,688,342)

Total Net Position		<u>\$ 39,985,679</u>
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INCORPORATED VILLAGE OF PORT JEFFERSON
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For the Year Ended May 31, 2019

	General	Community Development	Country Club	Capital Projects	Total Governmental Funds
REVENUES					
Real property taxes	\$ 6,369,408	\$	\$	\$	\$ 6,369,408
Real property tax items	299,307				299,307
Non-property taxes	362,667				362,667
Departmental income	1,529,132		1,789,581		3,318,713
Intergovernmental charges	8,725				8,725
Use of money and property	38,655		12,363		51,018
Licenses and permits	169,978				169,978
Fines and forfeitures	547,745				547,745
Sale of property and compensation for loss	28,804		12,615		41,419
Miscellaneous	147,483				147,483
State aid	1,356,564				1,356,564
Federal aid		14,880			14,880
Total Revenues	10,858,468	14,880	1,814,559	-	12,687,907
EXPENDITURES					
General government	2,055,208		47,426	105,937	2,208,571
Public safety	929,763			50,582	980,345
Health	618,957				618,957
Transportation	1,722,795			956,397	2,679,192
Economic opportunity and development	51,959				51,959
Culture and recreation	1,271,096		1,201,044	333,968	2,806,108
Home and community	354,254	34,882		95,629	484,765
Employee benefits	1,969,068		353,007		2,322,075
Debt service					
Principal	721,276		285,538		1,006,814
Interest	119,720		64,310		184,030
Total Expenditures	9,814,096	34,882	1,951,325	1,542,513	13,342,816
Excess (Deficiency) of Revenues Over Expenditures	1,044,372	(20,002)	(136,766)	(1,542,513)	(654,909)
OTHER FINANCING SOURCES AND (USES)					
BANs redeemed from appropriations				280,000	280,000
Proceeds from debt				99,869	99,869
Operating transfers in			30,000	1,529,611	1,559,611
Operating transfers (out)	(1,529,611)			(30,000)	(1,559,611)
Total Other Financing Sources and (Uses)	(1,529,611)	-	30,000	1,879,480	379,869
Net Change in Fund Balances	(485,239)	(20,002)	(106,766)	336,967	(275,040)
Fund Balances (Deficit) - Beginning of Year - Restated	1,416,905	2,846	(263,307)	(1,051,548)	104,896
Fund Balance - End of Year	\$ 931,666	\$ (17,156)	\$ (370,073)	\$ (714,581)	\$ (170,144)

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, 2019

Net Change in Fund Balances \$ (275,040)

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, revenue for these items are measured by the amount of financial resources provided (essentially, the amounts actually received). \$ 22,292

Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) may exceed the amounts incurred during the year, resulting in a reduction of the long-term liability and an increase in the net position.

Decrease in compensated absences payable	36,338	
		58,630

Long-Term Debt Transactions Differences

Proceeds from the issuance of capital leases are other funding sources in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities. (99,869)

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. (280,000)

Repayment of long-term debt 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.

Repayment of bond principal	475,000	
Repayment of capital leases payable	251,814	
Repayment of bond anticipation note payable	280,000	

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 decreased from May 31, 2018 to May 31, 2019. 2,549

629,494

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	(102,903)	
Service award program	(7,405)	
Other postemployment benefits	(1,142,162)	
		(1,252,470)

Change in Net Position of Governmental Activities		\$ (839,386)
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INCORPORATED VILLAGE OF PORT JEFFERSON
Statement of Fiduciary Net Position -
Fiduciary Fund
May 31, 2019

	<u>Agency</u>
ASSETS	
Cash - Unrestricted	\$ 459,857
Due from governmental funds	<u>98,518</u>
Total Assets	<u><u>\$ 558,375</u></u>
 LIABILITIES	
Accounts payable	\$ 5,171
Other liabilities	<u>553,204</u>
Total Liabilities	<u><u>\$ 558,375</u></u>

INCORPORATED VILLAGE OF PORT JEFFERSON
NOTES TO FINANCIAL STATEMENTS

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 of Trustees 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 support, public safety, health, 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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the Village, except for fiduciary activities. 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.

INCORPORATED VILLAGE OF PORT JEFFERSON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

The fund financial statements provide information about the Village's funds, including fiduciary funds. Separate statements for each fund type, governmental and fiduciary, are presented. The Village's financial statements present the following fund types:

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 acquisition, construction, renovation or major repair of capital facilities and other capital assets, such as equipment.

Fiduciary Funds - are used to account for activities in which the Village acts as trustee or agent for resources that belong to others. These activities are not included in the government-wide financial statements, because their resources do not belong to the Village, and are not available to be used to finance Village operations. The following is the Village's fiduciary fund:

Agency Fund - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Funds held by the Village represent various guarantee deposits, donations, and activities.

C. Measurement Focus and Basis of Accounting

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

The government-wide and fiduciary fund 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,

INCORPORATED VILLAGE OF PORT JEFFERSON
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 fund 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, claims and judgments, compensated absences, pension costs and other postemployment benefits, 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

Calendar

Real property taxes are levied no later than May 15th and become a lien on June 1st. 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 1st, 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, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary fund.

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.

INCORPORATED VILLAGE OF PORT JEFFERSON
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, other postemployment benefits, and pension reporting.

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. Restricted Length of Service Award Program Investments

The Village jointly sponsors the Port Jefferson Volunteer Ambulance Company Service Award Program, a defined benefit pension plan, and has reported service award program assets. The underlying assets are reported at fair value based on quoted market prices and includes equity mutual funds, money market funds, corporate and municipal bonds, and exchange traded funds.

The service award program assets are restricted for the purpose of providing benefits to the participants of the plan.

J. 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.

K. Prepaids

Prepaids 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 do not constitute available spendable resources.

INCORPORATED VILLAGE OF PORT JEFFERSON
NOTES TO FINANCIAL STATEMENTS
(Continued)

L. 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.

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land	\$ 500	N/A
Building	500	10-40 Years
Equipment	500	3-10 Years
Construction in progress	500	N/A

M. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position 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 four items that qualify for reporting in this category. The first item is related to pensions 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 the Village's contributions to the ERS subsequent to the measurement date. The third item is related to OPEB and represents changes in the total other postemployment benefits obligation not included in OPEB expense. The fourth item relates to the Village's service award program and consists of changes in assumptions, which will be amortized over future periods.

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. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The Village has three items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the government-wide financial statements, unavailable revenues are treated as revenues. The second 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 last item represents the change in the service award program asset or liability not included in collective pension expense.

INCORPORATED VILLAGE OF PORT JEFFERSON
NOTES TO FINANCIAL STATEMENTS
(Continued)

P. Employee Benefits – Compensated Absences

Compensated absences consist of unpaid accumulated sick leave, vacation time, 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.

Q. Other Benefits

Eligible Village employees participate in the New York State and Local Employees' Retirement System.

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

In addition to providing these benefits, the Village provides postemployment health insurance coverage and survivor benefits for certain retired employees and their survivors. 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.

Eligible volunteers participate in the Length of Service Award Program jointly sponsored by the Village.

R. 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.

INCORPORATED VILLAGE OF PORT JEFFERSON
NOTES TO FINANCIAL STATEMENTS
(Continued)

S. Equity Classifications

Government-Wide Statements

In the government-wide statements there are three 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 acquisitions, construction and improvements of those assets. The Village has not provided for accumulated depreciation.

Restricted – Reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted – Reports the balance of net position that does not meet the definition of the above two classifications.

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:

Nonspendable – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of prepaids, which is recorded in the general fund.

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. The Village has established the following restricted fund balances:

Restricted for Service Award Program

The Village established a defined benefit plan for the active volunteer EMS in the Port Jefferson Volunteer Ambulance Company. The plan provides municipally-funded pension-like benefits and the Village is a joint sponsor of the plan. In accordance with GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, the Village reports the value of the assets available for benefits as restricted in the general fund.

Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the Village's Board of Trustees. 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 amount of fund balance. Assigned fund balance includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

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.

INCORPORATED VILLAGE OF PORT JEFFERSON
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 of Trustees 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 of Trustees.

The Board of Trustees 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, 2019, the Village implemented GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, which requires local governments to include government-wide financial statements that are prepared using the economic resources measurement focus and accrual basis of accounting.

The Village also implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ended May 31, 2019. The implementation of the statement requires, among other things, that the Village eliminate the presentation of the Port Jefferson Volunteer Ambulance Company Service Award Program in the agency fund and present the assets in the general fund. In addition, the statement requires that the Village record its total pension liability of the Port Jefferson Volunteer Ambulance Company Service Award Program in the government-wide financial statements. Accounting changes adopted to conform to the provisions of the statements are to be applied retroactively and reported as a restatement of beginning net position.

The Village implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The implementation of the Statement requires the Village to report other postemployment benefits liabilities, expense, deferred outflows of resources and deferred inflows of resources on the full accrual basis.

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

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic resource measurement focus of the government-wide statements, compared with the current financial resource measurement focus of the governmental funds.

INCORPORATED VILLAGE OF PORT JEFFERSON
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 long-term assets and liabilities.

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 four 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.

Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

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 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.

Other postemployment benefit 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.

INCORPORATED VILLAGE OF PORT JEFFERSON
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The Village's administration submits a proposed budget for approval by the Board of Trustees 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 of Trustees 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 of Trustees.

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 of Trustees 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. Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as part of assigned fund balance, unless classified as restricted, and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

C. Interfund Transfers

The Village made interfund transfers during the year, which exceeded amounts provided in the Village's budget. The total general fund budget was over expended in the amount of \$701,561.

D. Community Development Fund

The community development fund has an unassigned fund balance deficit of \$17,156. The Village will consider this deficit when developing future budgets and seek alternate sources of revenue.

E. Country Club Fund

The country club fund has an unassigned fund balance deficit of \$370,073. This deficit will be funded through membership dues and assessments.

INCORPORATED VILLAGE OF PORT JEFFERSON
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Capital Projects Fund

The capital projects fund has an unassigned fund balance deficit of \$714,581. This will be funded when the Village obtains permanent financing for its current construction project.

5. 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 Cooperative Liquid Assets Securities System – New York (NYCLASS), a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law 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 investment and collateral policies are in accordance with General Municipal Law, Sections 10 and 11.

Total investments of the cooperative at May 31, 2019 are \$2,875,025,656, which consisted of \$451,582,793 in repurchase agreements, \$2,185,579,227 in U.S. Treasury Securities and \$237,863,636 in collateralized bank deposits, with various interest rates and due dates.

The following amounts are included as cash:

Fund	Carrying Amount
General	\$ 88,621

The above amounts represent the fair value of the investment pool shares. 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.

INCORPORATED VILLAGE OF PORT JEFFERSON
NOTES TO FINANCIAL STATEMENTS
(Continued)

6. CAPITAL ASSETS

Capital asset balances and activity for the year ended May 31, 2019 were as follows:

	Balance May 31, 2018	Additions	Reductions	Balance May 31, 2019
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
	<u>\$ 57,970,828</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,970,828</u>

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

7. INTERFUND TRANSACTIONS

Interfund balances and activities at May 31, 2019, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 73,831	\$	\$	\$ 1,529,611
Community Development Fund		54,687		
Country Club Fund		441,785	30,000	
Capital Projects Fund	<u>324,123</u>		<u>1,529,611</u>	<u>30,000</u>
Total Governmental Funds	<u>397,954</u>	<u>496,472</u>	<u>\$ 1,559,611</u>	<u>\$ 1,559,611</u>
Fiduciary Fund	<u>98,518</u>			
Total	<u>\$ 496,472</u>	<u>\$ 496,472</u>		

The transfer to the capital projects fund was for budgeted transfers other various funding sources for ongoing capital projects.

8. SHORT-TERM DEBT

Short-term debt transactions for the year are summarized below:

	Maturity	Stated Interest Rate	Balance May 31, 2018	Issued	Redeemed	Balance May 31, 2019
BAN	8/17/2018	2.25%	\$ 1,480,000	\$	\$ (1,480,000)	\$
BAN	8/16/2019	2.75%		1,200,000		1,200,000
			<u>\$ 1,480,000</u>	<u>\$ 1,200,000</u>	<u>\$ (1,480,000)</u>	<u>\$ 1,200,000</u>

INCORPORATED VILLAGE OF PORT JEFFERSON
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Interest paid	\$ 33,000
Less interest accrued in the prior year	(26,275)
Plus interest accrued in the current year	<u>26,038</u>
Total interest expense on long-term debt	<u>\$ 32,763</u>

9. LONG-TERM LIABILITIES

A. Changes

Long-term liability balances and activity, excluding pension and other postemployment benefits obligations, for the year are summarized below:

	Balance May 31, 2018	Additions	Reductions	Balance May 31, 2019	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 5,015,000	\$	\$ (475,000)	\$ 4,540,000	\$ 500,000
Capital lease payable	762,290	99,869	(251,814)	610,345	241,950
Other long-term liabilities					
Compensated absences	<u>515,147</u>		<u>(36,338)</u>	<u>478,809</u>	
	<u>\$ 6,292,437</u>	<u>\$ 99,869</u>	<u>\$ (763,152)</u>	<u>\$ 5,629,154</u>	<u>\$ 741,950</u>

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, 2019
Serial bond - roadway	10/12/2011	10/1/2026	2.00-3.00%	\$ 3,125,000
Serial bond - club irrigation & course improvements	12/18/2013	12/15/2028	2.00-4.00%	<u>1,415,000</u>
				<u>\$ 4,540,000</u>

INCORPORATED VILLAGE OF PORT JEFFERSON
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

<u>Year Ending May 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 500,000	\$ 116,725	\$ 616,725
2021	500,000	106,631	606,631
2022	505,000	96,350	601,350
2023	535,000	84,012	619,012
2024	545,000	70,394	615,394
2025-2029	<u>1,955,000</u>	<u>139,725</u>	<u>2,094,725</u>
Total	<u>\$ 4,540,000</u>	<u>\$ 613,837</u>	<u>\$ 5,153,837</u>

C. Capital Lease Payable

The Village has leases for Village vehicles and various club equipment, and accounts for the leases as capital leases. The following is a schedule of future minimum lease payments under capital leases with the present value of net minimum lease payments:

Total minimum lease payments	\$ 654,048
Less: Amounts representing interest	<u>(43,703)</u>
	<u>\$ 610,345</u>

Scheduled maturities of future minimum lease payments at May 31, 2019, are as follows:

<u>Year Ending May 31,</u>	<u>Amount</u>
2020	\$ 241,950
2021	111,856
2022	221,594
2023	23,695
2024	<u>11,250</u>
Total	<u>\$ 610,345</u>

D. Interest Expense

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

Interest paid	\$ 151,030
Less interest accrued in the prior year	(35,462)
Plus interest accrued in the current year	<u>33,150</u>
Total interest expense on long-term debt	<u>\$ 148,718</u>

INCORPORATED VILLAGE OF PORT JEFFERSON
NOTES TO FINANCIAL STATEMENTS
(Continued)

10. 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, 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

Employees' Retirement System

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 on the NYS Comptroller's website 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 13.92% of covered payroll for the ERS' fiscal year ended March 31, 2019.

The Village's share of the required contributions, based on covered payroll for the Village's year ended May 31, 2019 was \$471,316.

INCORPORATED VILLAGE OF PORT JEFFERSON
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At May 31, 2019, the Village reported the following liability for its proportionate share of the net pension liability for the NYSLRS. The net pension liability was measured as of March 31, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the 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, 2019
Village's proportionate share of the net pension liability	\$ (903,828)
Village's portion of the Plan's total net pension liability	0.0127564%
Change in proportion since the prior measurement date	0.0008025

For the year ended May 31, 2019, the Village recognized pension expense of \$591,287. At May 31, 2019, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 177,983	\$ 60,672
Changes of assumptions	227,185	
Net difference between projected and actual investment earnings on pension plan investments		231,972
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	63,090	43,329
Village's contributions subsequent to the measurement date	79,309	
Total	<u>\$ 547,567</u>	<u>\$ 335,973</u>

INCORPORATED VILLAGE OF PORT JEFFERSON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending May 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending May 31,</u>	
2020	\$ 198,125
2021	(176,792)
2022	(17,515)
2023	<u>128,467</u>
	<u>\$ 132,285</u>

Actuarial Assumptions

The total pension liability 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, 2019
Actuarial valuation date	April 1, 2018
Inflation	2.50%
Salary increases	4.20%
Investment rate of return (net of investment expense, including inflation)	7.00%
Cost of living adjustments	1.30%

Annuitant mortality rates are based on system experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

The actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

INCORPORATED VILLAGE OF PORT JEFFERSON
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 Rate of Return
Measurement date		March 31, 2019
Asset type		
Domestic equity	36.0%	4.55%
International equity	14.0%	6.35%
Real estate	10.0%	5.55%
Private equities	10.0%	7.50%
Alternatives investments	8.0%	3.75-5.68%
Bonds and mortgages	17.0%	1.31%
Cash	1.0%	(0.25)%
Inflation indexed bonds	4.0%	1.25%
	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 liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the system's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension 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 7.0%, 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 (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
Village's proportionate share of the net pension asset (liability)	\$ (3,951,680)	\$ (903,828)	\$ 1,656,584

INCORPORATED VILLAGE OF PORT JEFFERSON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the respective measurement dates, were as follows:

Measurement date	March 31, 2019 (Dollars in Thousands)
Employers' total pension liability	\$ (189,803,429)
Plan fiduciary net position	<u>182,718,124</u>
Employers' net pension liability	<u>\$ (7,085,305)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	96.27%

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, 2019, represent the projected employer contribution for the period of April 1, 2019 through May 31, 2019 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2019 amounted to \$79,309 of employer contributions. Employee contributions are remitted monthly.

11. LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)

The Port Jefferson Volunteer Ambulance Company, Inc. Service Award Program (referred to as a "LOSAP" - Length of Service Award Program - under Section 457(e)(11) of the Internal Revenue Code) was established effective January 1, 2008 for the active volunteer EMS of the Port Jefferson Volunteer Ambulance Company, Inc.. The program was established pursuant to Article 11-A of the New York State General Municipal Law. The program provides municipally-funded deferred compensation to volunteer EMS to facilitate the recruitment and retention of active volunteer EMS. Three municipalities, including the Village, jointly sponsor and fund the program.

A. Program Description

Participation, Vesting and Service Credit

In a defined benefit LOSAP, participating volunteers begin to be paid a Service Award upon attainment of the program's Entitlement Age. An eligible program participant is defined by the program sponsor to be an active volunteer EMS who is at least 18 years of age, has completed probation, and has earned one year of Service Credit. The amount of the Service Award paid to a participant is based upon the number of years of Service Credit the volunteer earned under the program for performing active volunteer EMS activities.

Participants acquire a non-forfeitable right to be paid a Service Award after earning credit for five years of service or upon attaining the program's Entitlement Age while an active volunteer. The program's Entitlement Age is age 65. An active volunteer EMS earns a year of Service Credit for each calendar year after the establishment of the program in which he or she accumulates 50 or more points. Points are granted for the performance of certain EMS activities in accordance with a system established by the

INCORPORATED VILLAGE OF PORT JEFFERSON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Sponsor on the basis of a statutory list of activities and point values. A participant may also receive Service Credit for five years of active volunteer firefighting service rendered prior to the establishment of the program as an active volunteer firefighter of the Port Jefferson Volunteer Ambulance Company, Inc.

Benefits

A participant's Service Award benefit is paid as a ten-year certain and continuous monthly payment life annuity. Currently, there are no other forms of payment of a volunteer's earned Service Award under the program. The amount payable each month equals \$20 multiplied by the total number of years of Service Credit earned by the participant under the Point System. The maximum number of years of Service Credit a participant may earn under the program is 40 years. Except in the case of pre-Entitlement Age death or total and permanent disablement, a participant's Service Award will not be paid until he or she attains the Entitlement Age. Volunteers who continue to be active after attaining the Entitlement Age and who may have commenced receiving a Service Award have the opportunity to earn Service Credit and thereby increase their Service Award payments. The pre-Entitlement Age death and disability benefit is equal to the actuarial value of the participant's earned Service Award at the time of death or disablement. All death and disability benefits are self-insured and paid from the program Trust Fund. The program does not provide extra line-of-duty death or disability benefits.

For a complete explanation of the program, see the Plan Document; a copy of which is available at the Village.

B. Participants

At the December 31, 2018 measurement date, the following participants were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Inactive employees entitled to but not yet receiving benefit payments	18
Active employees	<u>11</u>
	<u>34</u>

Contributions

New York State General Municipal Law §219-o (1) requires the Village Board to contribute to an actuarially determined contribution on an annual basis. The actuarially determined contribution shall be appropriated annually by the Village Board. In accordance with the adoption agreement for the Port Jefferson Volunteer Ambulance Company, Inc. Service Award Program, the Village contributes 44% of the actuarially determined contribution.

Trust Assets

Although assets have been accumulated in an irrevocable trust such that assets are dedicated to providing pensions to plan members in accordance with benefit terms, the trust assets are not legally protected from creditors of the Village. As such, the trust assets do not meet the criteria in paragraph 4 of GASB Statement No. 73.

INCORPORATED VILLAGE OF PORT JEFFERSON
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Measurement of Collective Total Pension

The collective total pension liability at the December 31, 2018 measurement date was determined using an actuarial valuation as of that date.

Actuarial Assumptions

The collective total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Salary Scale:	None assumed

Mortality rates were based on the RP 2014 Mortality Table (60/40 male/female blend) projected for mortality improvement to the year 2020 with Scale MP2017.

Discount Rate

The discount rate used to measure the collective total pension liability was 3.64%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018. In describing this index, S&P Dow Jones Indices notes that the index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years and with a rating of at least Aa2 by Moody's Investors Service's, AA by Fitch, or AA by Standard & Poor's Rating Services..

D. Proportionate Share of Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At May 31, 2019, the Village reported a liability of \$209,848 for its proportionate share of the total pension liability, measured as of December 31, 2018. The proportionate share of total pension liability for the year ended May 31, 2018 was \$217,371, measured as of December 31, 2017. The Village's proportion of the total pension liability was based on a cost sharing agreement between the Village of Port Jefferson, the Town of Brookhaven, and the Village of Belle Terre. At the December 31, 2018 measurement date, the Village's proportion was 44.0 percent which was the same as its proportion as of the December 31, 2017 measurement date.

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended May 31, 2019, the Village recognized pension expense of \$13,910.

Components of Pension Expense

Service cost	\$ 7,990
Interest on total pension liability	7,070
Changes in assumptions or other inputs	(2,715)
Differences between expected and actual experience	69
Changes in proportion	-
Pension plan administrative	1,496
Total pension expense	<u>\$ 13,910</u>

INCORPORATED VILLAGE OF PORT JEFFERSON
NOTES TO FINANCIAL STATEMENTS
(Continued)

At May 31, 2019, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ 433	\$
Changes of assumptions		17,097
Benefit payments and administrative expenses subsequent to the measurement date	1,736	
Total	<u>\$ 2,169</u>	<u>\$ 17,097</u>

The \$1,736 reported as deferred outflows of resources related to pensions resulting from Village transactions subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ending May 31, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending May 31,	Amount
2020	\$ (2,645)
2021	(2,645)
2022	(2,645)
2023	(2,645)
2024	(2,645)
Thereafter	(3,439)
	<u>\$ (16,664)</u>

F. Changes in Total Service Award Program Liability

The following represents the change in total service award program liability as of the plan year ended December 31, 2018.

Balance at December 31, 2017	<u>\$ 217,371</u>
Changes for the year	
Service cost	7,990
Interest	7,070
Changes in assumptions or other inputs	(19,812)
Differences between expected and actual experience	501
Benefit payments	(3,272)
	<u>(7,523)</u>
Balance at December 31, 2018	<u>\$ 209,848</u>

INCORPORATED VILLAGE OF PORT JEFFERSON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Sensitivity of the Total Pension Liability to Changes in the Discount Rate

The following presents the total pension liability of the Village as of the December 31, 2018 measurement date, calculated using the discount rate of 3.64%, as well as what the Village's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.64%) or 1-percentage point higher (4.64%) than the current rate:

	1% Decrease 2.64 %	Discount Rate 3.64 %	1% Increase 4.64 %
Village's proportionate share of the total pension liability	\$ (254,285)	\$ (209,848)	\$ (175,840)

12. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

Plan Description – The Village's defined benefit OPEB plan, provides OPEB for certain retired employees and their survivors. The plan is a single-employer defined benefit OPEB plan administered by the Village. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided – The Village provides healthcare and life insurance benefits for retirees and their dependents. 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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	14
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>61</u>
	<u>75</u>

B. Total OPEB Liability

The Village's total OPEB liability of \$12,233,006 was measured as of May 31, 2019, and was determined by an actuarial valuation as of May 31, 2018. 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	2.00%	average, including inflation
Discount rate	3.10%	
Healthcare cost trend rates	6.25%	for 2019, decreasing to an ultimate rate of 5.00%
Retirees' share of benefit-related costs	25.00%	of projected health insurance premiums for retirees

INCORPORATED VILLAGE OF PORT JEFFERSON
NOTES TO FINANCIAL STATEMENTS
(Continued)

The discount rate was based on 20-year Municipal GO AA Bond 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 May 31, 2019 valuation were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

C. Changes in the Total OPEB Liability

Balance at May 31, 2018	<u>\$ 10,190,360</u>
Changes for the year	
Service cost	770,955
Interest	364,276
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	1,050,564
Benefit payments	<u>(143,149)</u>
	<u>2,042,646</u>
Balance at May 31, 2019	<u>\$ 12,233,006</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.6% in 2018 to 3.1% in 2019.

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 (2.1%) or 1 percentage point higher (4.1%) than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
OPEB	2.10 %	3.10 %	4.10 %
Total OPEB liability	<u>\$ (14,796,522)</u>	<u>\$ (12,233,006)</u>	<u>\$ (10,256,944)</u>

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 (5.25%) or 1 percentage point higher (7.25%) than the current healthcare cost trend rate:

	(5.25% decreasing to 4.00%)	Healthcare Cost Cost Trend Rates (6.25% decreasing to 5.00%)	(7.25% decreasing to 6.00%)
OPEB			
Total OPEB liability	<u>\$ (9,809,933)</u>	<u>\$ (12,233,006)</u>	<u>\$ (15,510,363)</u>

INCORPORATED VILLAGE OF PORT JEFFERSON
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

For the year ended May 31, 2019, the Village recognized OPEB expense of \$2,042,646. At May 31, 2019, the Village reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ -
Changes of assumptions	<u>900,483</u>
Total	<u>\$ 900,483</u>

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

<u>Year Ending May 31,</u>	<u>Amount</u>
2020	\$ 150,081
2021	150,081
2022	150,081
2023	150,081
2024	150,081
Thereafter	<u>150,078</u>
	<u>\$ 900,483</u>

INCORPORATED VILLAGE OF PORT JEFFERSON
NOTES TO FINANCIAL STATEMENTS
(Continued)

13. RESTATEMENT OF NET POSITION AND FUND BALANCE

As noted elsewhere in the Notes to Financial Statements, the Village implemented GASB Statement No. 34, GASB Statement No. 73, and GASB Statement No. 75 for the year ended May 31, 2019.

Accounting changes adopted to conform to the provisions of these statements are to be applied retroactively and reported as a restatement of beginning net position and fund balance. Accordingly, the Village's net position in the government-wide Statement of Net Position and the beginning fund balance of the General Fund in the fund financial statements were restated as follows:

	<u>Net Position</u>	<u>Fund Balance</u>
Net position/general fund-fund balances beginning of year, as previously stated	\$ 59,022,069	\$ 1,282,627
The following adjustments were necessary to determine the beginning balances at May 31, 2018:		
Long-term outstanding obligation items	(6,681,332)	
Accrued interest on long-term obligations	(61,737)	
Deferred revenue	100,578	
GASB 68 NYSLRS balances	(1,284,150)	
GASB 73 service award program balances	(83,094)	134,278
GASB 75 other postemployment benefits	(10,190,360)	
Capital leases	<u>3,091</u>	
Net position/general fund-fund balances beginning of year, as restated	<u>\$ 40,825,065</u>	<u>\$ 1,416,905</u>

14. 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.

15. ASSIGNED: APPROPRIATED FUND BALANCE

The amount of \$190,000 has been appropriated in the General Fund, to reduce taxes for the year ending May 31, 2020.

INCORPORATED VILLAGE OF PORT JEFFERSON
NOTES TO FINANCIAL STATEMENTS
(Continued)

16. 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, 2019, 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.

17. 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:

Issuance of BANs

On August 15, 2019, the Village issued bond anticipation notes in the amount of \$960,000, which are due August 14, 2020 and bear interest at a stated rate of 2.25%. The Village received a premium of \$5,731 with the borrowing to yield an effective interest rate of 1.65%.

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, 2019

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real Property Taxes	\$ 6,358,999	\$ 6,358,999	\$ 6,369,408	\$ 10,409
Real Property Tax Items				
Tax assessment	256,000	256,000	274,403	18,403
Interest & penalties	34,000	34,000	24,904	(9,096)
Total Real Property Tax Items	290,000	290,000	299,307	9,307
Non-Property Taxes				
Utilities gross receipts tax	180,000	180,000	176,215	(3,785)
Franchises	175,000	175,000	186,452	11,452
Total Non-Property Taxes	355,000	355,000	362,667	7,667
Departmental Income				
Zoning & planning board fees	40,000	40,000	14,700	(25,300)
Safety inspection fees	55,000	55,000	47,550	(7,450)
Health	300,000	300,000	286,717	(13,283)
Parking meter fees	545,000	545,000	565,046	20,046
Village center, concessions, rink & park fees	987,000	987,000	615,119	(371,881)
Total Departmental Income	1,927,000	1,927,000	1,529,132	(397,868)
Intergovernmental Charges	-	-	8,725	8,725
Use of Money and Property	67,000	67,000	38,655	(28,345)
Licenses and Permits	270,000	270,000	169,978	(100,022)
Fines and Forfeitures	550,000	550,000	547,745	(2,255)
Sale of Property & Compensation for Loss				
Sale of equipment	7,500	7,500	9,938	2,438
Self insurance recoveries	-	-	9,694	9,694
Other compensation for loss	-	-	9,172	9,172
Total Sale of Property & Compensation for Loss	7,500	7,500	28,804	21,304
Miscellaneous				
Other miscellaneous	8,500	8,500	112,563	104,063
Premium on obligations	-	-	34,920	34,920
Total Miscellaneous	8,500	8,500	147,483	138,983
Total Local Sources	9,833,999	9,833,999	9,501,904	(332,095)
State Aid				
Revenue sharing	33,302	33,302	33,302	-
Mortgage tax	300,000	300,000	370,499	70,499
Other	-	-	695,551	695,551
Consolidated Highway Aid (CHIPS)	201,344	201,344	257,212	55,868
Total State Aid	534,646	534,646	1,356,564	821,918
Total Revenues	10,368,645	10,368,645	10,858,468	\$ 489,823
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	273,501	273,501		
Total Revenues and Appropriated Fund Balance	\$ 10,642,146	\$ 10,642,146		

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, 2019

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
EXPENDITURES				
General Government Support				
Board of Trustees	\$ 31,000	\$ 37,299	\$ 37,299	\$ -
Village Justice	205,329	188,980	187,764	1,216
Mayor	22,500	22,500	20,735	1,765
Treasurer	473,787	429,984	424,945	5,039
Assessment	20,000	25,595	25,595	-
Clerk	398,800	408,734	408,734	-
Law	119,000	138,864	138,557	307
Engineer	142,916	147,925	141,805	6,120
Elections	5,500	5,500	4,705	795
Special Items	231,039	216,718	78,343	138,375
Buildings	206,808	187,509	181,009	6,500
Unallocated Insurance	420,000	411,395	405,717	5,678
Total General Government Support	2,276,679	2,221,003	2,055,208	165,795
Public Safety				
Police	559,620	516,355	513,919	2,436
Traffic Control	35,000	34,055	26,584	7,471
Parking	201,253	183,814	164,686	19,128
Safety Inspection	235,500	225,502	224,574	928
Total Public Safety	1,031,373	959,726	929,763	29,963
Health				
Ambulance	581,499	619,958	618,957	1,001
Transportation				
Maintenance of Streets	1,384,504	1,350,419	1,266,913	83,506
Snow Removal	175,000	136,968	89,333	47,635
Street Lighting	272,164	299,940	299,940	-
Sidewalks	40,000	66,609	66,609	-
Off-Street Parking	50,000	50,000	-	50,000
Total Transportation	1,921,668	1,903,936	1,722,795	181,141
Economic Opportunity & Development				
Programs For Aging	67,700	61,700	51,959	9,741
Culture & Recreation				
Parks	397,076	468,605	466,505	2,100
Playground & Recreational Centers	829,044	842,775	783,542	59,233
Celebrations	23,000	23,000	21,049	1,951
Total Culture & Recreation	1,249,120	1,334,380	1,271,096	63,284
Home & Community				
Drainage	10,000	-	-	-
Planning	222,350	244,077	238,828	5,249
Environmental	40,000	40,000	33,308	6,692
Refuse & Garbage	113,000	101,942	82,118	19,824
Total Home & Community	385,350	386,019	354,254	31,765

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, 2019

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
EXPENDITURES (Continued)				
Employee Benefits				
State retirement	\$ 480,000	\$ 436,497	\$ 435,831	\$ 666
Service award program	25,000	19,783	11,352	8,431
Social security & medicare	280,000	270,000	264,555	5,445
Workers' compensation	252,000	168,977	168,836	141
Life insurance	6,500	6,500	-	6,500
Unemployment insurance	20,000	13,000	7,907	5,093
Disability insurance	2,000	1,190	407	783
Hospital & medical insurance	1,039,900	1,065,254	1,049,697	15,557
Accrued leave	10,000	30,483	30,483	-
Total Employee Benefits	2,115,400	2,011,684	1,969,068	42,616
Debt Service				
Principal	630,000	721,276	721,276	-
Interest	80,613	119,720	119,720	-
Total Debt Service	710,613	840,996	840,996	-
Total Expenditures	10,339,402	10,339,402	9,814,096	525,306
OTHER USES				
Operating Transfers Out	302,744	302,744	1,529,611	(1,226,867)
Total Expenditures and Other Uses	\$ 10,642,146	\$ 10,642,146	11,343,707	\$ (701,561)
Net Change in Fund Balance			(485,239)	
Fund Balance - Beginning of Year, as Restated			1,416,905	
Fund Balance - End of Year			<u>\$ 931,666</u>	

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 Liability
Last Fiscal Year

Employees' Retirement System

	<u>2019</u>
Village's proportion of the net pension liability	0.0127564%
Village's proportionate share of the net pension liability	\$ 903,828
Village's covered payroll	\$ 3,386,392
Village's proportionate share of the net pension liability as a percentage of its covered payroll	26.69 %
Plan fiduciary net position as a percentage of the total pension liability	96.27%

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

INCORPORATED VILLAGE OF PORT JEFFERSON
Schedule of Village Pension Contributions
Last Fiscal Year

Employees' Retirement System

	<u>2019</u>
Contractually required contribution	\$ 471,316
Contributions in relation to the contractually required contribution	<u>471,316</u>
Contribution deficiency (excess)	<u>\$ -</u>
Village's covered payroll	\$ 3,386,392
Contributions as a percentage of covered payroll	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 Fiscal Year

	<u>2019</u>
Total OPEB liability	
Service cost	\$ 770,955
Interest	364,276
Changes in benefit terms	"
Differences between expected and actual experience	"
Changes of assumptions or other inputs	1,050,564
Benefit payments	<u>(143,149)</u>
Net change in total OPEB liability	2,042,646
Total OPEB Liability, Beginning	<u>10,190,360</u>
Total OPEB Liability, Ending	<u><u>\$ 12,233,006</u></u>
Covered employee payroll	\$ 2,913,999
Total OPEB liability as a percentage of covered employee payroll	419.80%

Trust Assets:

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 73 to pay related benefits.

Notes to Required Supplementary Information

The discount rate decreased from 3.6% to 3.1% as reflected in 2019 above.

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 Service Award Program Liability
Last Fiscal Year

Measurement date as of December 31,	<u>2018</u>
Total Service Award Program Liability	
Service cost	\$ 7,990
Interest	7,070
Changes of assumptions or other inputs	(19,812)
Differences between expected and actual experience	501
Benefit payments	<u>(3,272)</u>
Net change in total service award program liability	(7,523)
Total Service Award Program Liability, Beginning	<u>217,371</u>
Total Service Award Program Liability, Ending	<u>\$ 209,848</u>
 Covered employee payroll	 N/A
Total service award program liability as a percentage of covered employee payroll	N/A
 Village's proportion of the total pension liability	 44%

Notes to Required Supplementary Information

Changes of assumptions or other inputs. The discount rate used to measure the total pension liability was based on the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index and was as follows:

December 31, 2017: 3.16%
December 31, 2018: 3.64%

Trust Assets: There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 73 to pay related benefits.

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.

