



FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION WITH  
INDEPENDENT AUDITOR'S REPORT

May 31, 2021

**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 and each major fund of the Incorporated Village of Port Jefferson (Village), as of and for the year ended May 31, 2021, 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, 2021, 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 of the Incorporated Village of Port Jefferson, as of May 31, 2021, 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 adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, as of May 31, 2021. Our opinions are not modified with respect to this matter.

### ***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, and schedule of changes in the Village’s total OPEB liability on pages 3 through 13 and 42 through 47, 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*

February 25, 2022

**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, 2021 in comparison with the year ended May 31, 2020, with emphasis on the current year. This should be read in conjunction with the financial statements and notes to financial statements, which immediately follow this section.

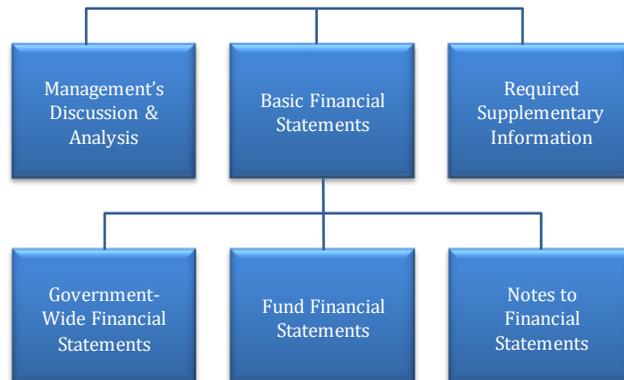
**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2021 are as follows:

- The Village's total net position, as reflected in the government-wide financial statements, decreased by \$284,423. This was due to an excess of expenses over revenues using 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 \$13,341,707. Of this amount, \$5,048,832 was offset by program charges for services, operating grants and capital grants. General revenues of \$8,008,452 amount to 61.33% of total revenues, and were not sufficient to cover the balance of program expenses.
- The Village's general fund fund balance, as reflected in the fund financial statements was \$1,768,084 at May 31, 2021. This balance represents a \$569,530 increase (47.51%) over the prior year due to an excess of revenues over expenditures and other financing uses, using the current financial resources measurement focus and the modified accrual basis of accounting, as follows:
  - Restricted fund balance decreased by \$159,624 due to the relinquishment of the Length of Service Awards Program (LOSAP). Effective January 1, 2021, the LOSAP was no longer sponsored by the Village.
  - Unassigned fund balance increased by \$729,154 to \$1,744,274
- The Village redeemed \$240,000 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 financial statements, and required supplementary information. The financial statements consist of government-wide financial statements, fund financial statements, and notes to financial statements. A graphic display of the relationship of these statements follows:



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

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**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.

Governmental Funds

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

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

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

The Village maintains four individual governmental funds: general fund, community development fund, country club fund, and capital projects fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

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

**A. Net Position**

The May 31, 2020 current and other assets, and current and other liabilities were increased by \$403,328, resulting from the implementation of GASB Statement No. 84, *Fiduciary Activities*, however, there was no change in total net position.

The Village's total net position decreased by \$284,423 between fiscal year 2021 and 2020. The decrease is due to expenses in excess of revenues using the economic resources measurement focus and the accrual basis of accounting. A summary of the Village's Statements of Net Position follows:

	<u>2021</u>	<u>As Restated 2020</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b>Assets</b>				
Current and Other Assets	\$ 5,418,412	\$ 2,237,539	\$ 3,180,873	142.16 %
Capital Assets, Net	<u>57,970,828</u>	<u>57,970,828</u>	<u>-</u>	0.00 %
Total Assets	<u>63,389,240</u>	<u>60,208,367</u>	<u>3,180,873</u>	5.28 %
<b>Deferred Outflows of Resources</b>	<u>6,015,337</u>	<u>4,559,349</u>	<u>1,455,988</u>	31.93 %
<b>Liabilities</b>				
Current and Other Liabilities	4,098,011	2,242,109	1,855,902	82.77 %
Long-Term Liabilities	5,681,919	5,367,100	314,819	5.87 %
Net Pension Liability - Proportionate Share	12,907	3,525,323	(3,512,416)	(99.63)%
Service Award Program		226,728	(226,728)	(100.00)%
Total OPEB Liability	<u>17,814,856</u>	<u>15,024,269</u>	<u>2,790,587</u>	18.57 %
Total Liabilities	<u>27,607,693</u>	<u>26,385,529</u>	<u>1,222,164</u>	4.63 %
<b>Deferred Inflows of Resources</b>	<u>3,842,041</u>	<u>142,921</u>	<u>3,699,120</u>	2588.23 %
<b>Net Position</b>				
Net Investment in Capital Assets	50,562,097	52,225,054	(1,662,957)	(3.18)%
Restricted		159,624	(159,624)	(100.00)%
Unrestricted (Deficit)	<u>(12,607,254)</u>	<u>(14,145,412)</u>	<u>1,538,158</u>	10.87 %
Total Net Position	<u>\$ 37,954,843</u>	<u>\$ 38,239,266</u>	<u>\$ (284,423)</u>	(0.74)%

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

The increase in current and other assets is mainly related to an increase in cash and accounts receivable, offset by a decrease in the service award program.

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

The increase in current and other liabilities is primarily attributable to increases in bond anticipation notes payable and accounts payable. The increase in bond anticipation notes payable is the result of \$2,316,719 in proceeds of BANs, offset by BANs redeemed from appropriations.

The increase in long-term liabilities is primarily the result of the issuance of bonds and capital leases, and increase in compensated absences, net of repayments of the current maturity of bond and capital lease indebtedness.

Net pension liability – proportionate share 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. The accompanying Notes to Financial Statements, Note 11 “Pension Plans – New York State” provides additional information.

Length of service award program (LOSAP) liability decreased, as the Village was not a sponsor of the plan, effective January 1, 2021.

Total other postemployment benefits (OPEB) liability increased, based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 13 “Postemployment Healthcare Benefits”, provides additional information.

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

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

	Increase (Decrease)
Principal debt reduction of construction bonds	\$ 500,000
Principal debt reduction of installment capital leases	232,446
Issuance of bonds	(790,000)
Issuance of capital leases	(195,687)
Issuance of BANs	(2,369,716)
BANs redeemed from general fund appropriations	960,000
	\$ (1,662,957)

The restricted amount relates to the Village’s service award program. Effective January 1, 2021, the Village was not a sponsor of the service award program.

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

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

**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, 2021 and 2020 is as follows:

	2021	2020	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 4,832,003	\$ 3,984,928	\$ 847,075	21.26 %
Operating Grants		170,682	(170,682)	(100.00)%
Capital Grants	216,829	235,378	(18,549)	(7.88)%
General Revenues				
Property Taxes	6,529,769	6,212,620	317,149	5.10 %
State Sources	540,424	421,037	119,387	28.36 %
Other	938,259	955,520	(17,261)	(1.81)%
Total Revenues	<u>13,057,284</u>	<u>11,980,165</u>	<u>1,077,119</u>	8.99 %
<b>Expenses</b>				
General Government	1,830,461	2,502,956	(672,495)	(26.87)%
Public Safety	1,967,791	2,138,561	(170,770)	(7.99)%
Health		364,003	(364,003)	(100.00)%
Transportation	4,658,119	3,636,383	1,021,736	28.10 %
Econ. Opportunity & Develop.	37,923	46,247	(8,324)	(18.00)%
Culture and Recreation	4,254,042	4,185,080	68,962	1.65 %
Home and Community	523,038	679,726	(156,688)	(23.05)%
Debt Service - Interest	144,720	173,622	(28,902)	(16.65)%
LOSAP relinquishment, net	(74,387)		(74,387)	N/A
Total Expenses	<u>13,341,707</u>	<u>13,726,578</u>	<u>(384,871)</u>	(2.80)%
Change in Net Position	<u>\$ (284,423)</u>	<u>\$ (1,746,413)</u>	<u>\$ 1,461,990</u>	83.71 %

The Village's net position decreased by \$284,423 and \$1,746,413 for the years ended May 31, 2021 and 2020, respectively.

The Village's revenues increased by \$1,077,119 or 8.99%. The major factors that contributed to the increase were:

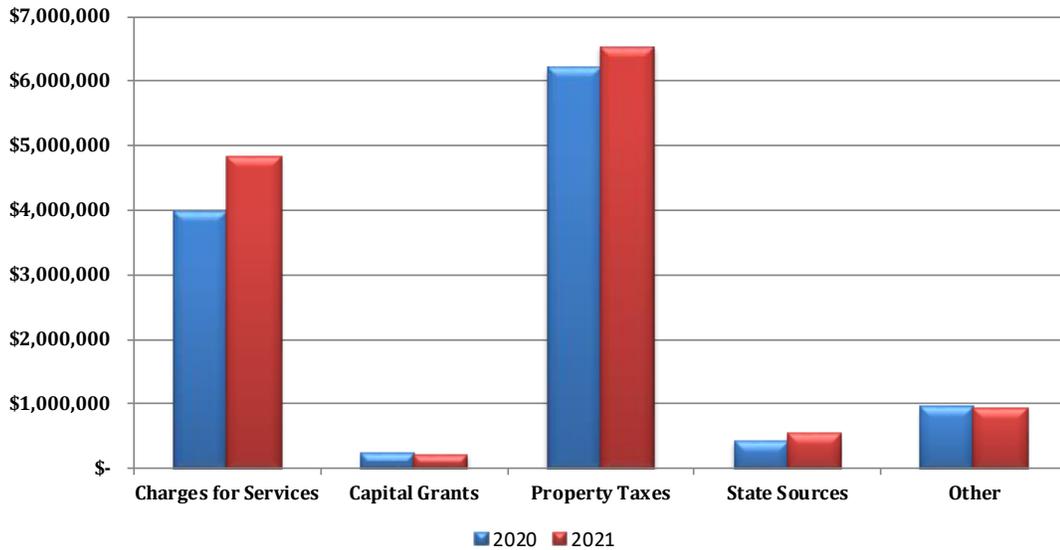
- Charges for services increased due to the increases in the country club's activities.
- Property taxes increased as a result of an increase in the tax levy.
- The Village received more state aid in the current year than during the prior year.

The Village's total expenses for the year decreased by \$384,871 or 2.80%. The decrease in expense is primarily due to decreases in public safety, health, transportation, and culture and recreation, offset by an increase in general government. The decreases in public safety, transportation, and culture and recreation are primarily due to a decrease in employee benefits allocated to those functions. The decrease in health, and the relinquishment of LOSAP, is primarily the result of the Town of Brookhaven becoming responsible for the ambulance services contract and the service award program. In the past, the ambulance services contract and service award program was split amongst the Village, the Town of Brookhaven, and the Village of Belle Terre. The increase in general government is the result of an increase in capital projects.

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

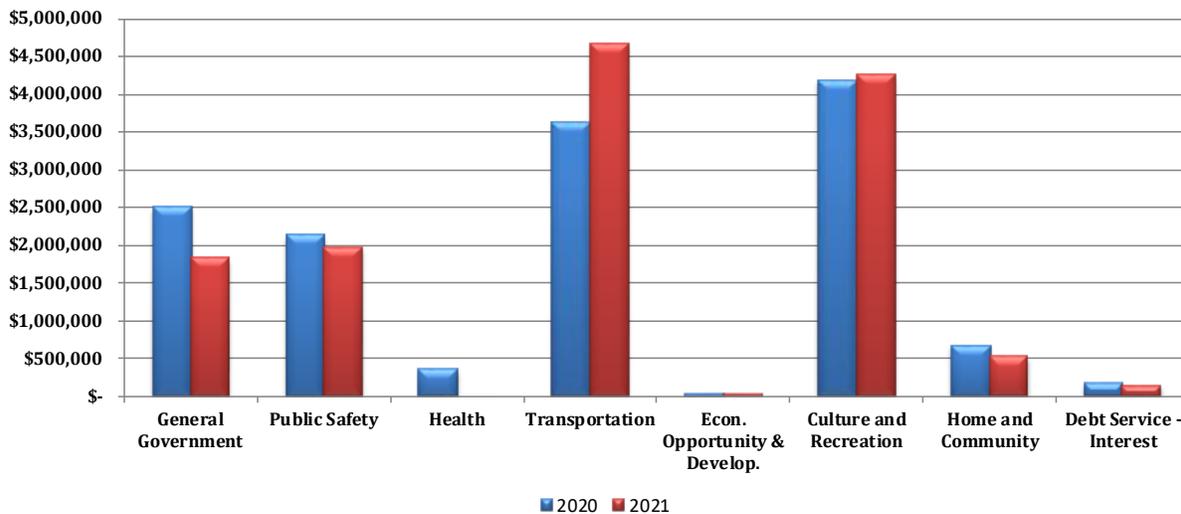
As indicated on the graphs that follow, real property taxes is the largest component of revenues recognized (i.e., 50.0% and 51.9% of the total for the years 2021 and 2020, respectively). Culture and recreation is the largest category of expenses incurred (i.e., 29.6% and 30.5% of the total for the years 2021 and 2020, respectively).

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



	Charges for Services	Capital Grants	Property Taxes	State Sources	Other
<b>2020</b>	33.3%	2.0%	51.9%	3.5%	9.3%
<b>2021</b>	37.0%	1.7%	50.0%	4.1%	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
<b>2020</b>	18.2%	15.5%	2.7%	26.5%	0.3%	30.5%	5.0%	1.3%
<b>2021</b>	13.7%	14.2%	0.0%	34.9%	0.3%	31.9%	3.9%	1.1%

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

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

At May 31, 2021, the Village's governmental funds reported a combined fund balance of \$1,221,740, which is an increase of \$1,308,961 from the prior year. This increase is due to an excess of revenues and other financing sources over expenditures and other financing uses 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:

	<u>2021</u>	<u>2020</u>	Increase (Decrease)
<b>General Fund</b>			
Restricted: Service award program	\$	\$ 159,624	\$ (159,624)
Assigned:			
Unappropriated fund balance	23,810	23,810	-
Unassigned: Fund balance	<u>1,744,274</u>	<u>1,015,120</u>	<u>729,154</u>
	<u>1,768,084</u>	<u>1,198,554</u>	<u>569,530</u>
<b>Community Development Fund</b>			
Unassigned: Fund balance (deficit)	<u>(17,156)</u>	<u>(17,156)</u>	<u>-</u>
<b>Country Club Fund</b>			
Nonspendable: Inventory	107,542	27,937	79,605
Assigned: Unappropriated fund balance	237,884	2,859	235,025
Unassigned: Fund balance (deficit)	<u>-</u>	<u>(522,593)</u>	<u>522,593</u>
	<u>345,426</u>	<u>(491,797)</u>	<u>837,223</u>
<b>Capital Projects Fund</b>			
Unassigned: Fund balance (deficit)	<u>(874,614)</u>	<u>(776,822)</u>	<u>(97,792)</u>
Total Fund Balance (Deficit)	<u>\$ 1,221,740</u>	<u>\$ (87,221)</u>	<u>\$ 1,308,961</u>

**A. General Fund**

The net change in the general fund – fund balance is an increase of \$569,530. This resulted from revenues in excess of expenditures and other financing uses.

The Village's revenues decreased by \$32,117 or 0.33%, as compared to the prior year. The decrease is primarily attributable to a decrease in departmental income of \$287,424, offset by an increase in real property taxes of \$326,023. The decrease in departmental income is due a decrease in ambulance charges (\$139,758) and parking meter fees (\$359,584).

Expenditures and other financing uses decreased by \$334,759 or 3.52% from the prior year. This decrease was primarily due to decreases in health of \$364,002 and culture and recreation of \$143,660, offset by an increase in LOSAP relinquishment of \$159,624. The decrease in health, and increase in the relinquishment of LOSAP, is primarily the result of the Town of Brookhaven becoming responsible for the ambulance services contract and the service award program. In the past, the ambulance services contract and service award program was split amongst the Village, the Town of Brookhaven, and the Village of Belle Terre.

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

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**B. Community Development Fund**

There was no change in the community development fund – fund balance as the fund did not have current year activity.

**C. Country Club Fund**

The net change in the country club fund – fund balance is an increase of \$837,223. This resulted from revenues in excess of expenditures and other financing uses.

The Village's revenues increased by \$1,184,614 or 64.11%, as compared to the prior year. The increase is primarily attributable to an increase in departmental income, which is the result of an increase in membership fees and dues, golf outing revenue, and golf and tennis lessons. In the prior year the country club experienced decreased membership and activity, as a result of the COVID-19 pandemic, as compared to the current year.

**D. Capital Projects Fund**

The net change in the capital projects fund – fund balance deficit is a decrease of \$97,792 from the prior year. This decrease is due to expenditures incurred during the year on capital projects in excess of debt proceeds, transfers from the general fund, and BANs redeemed from appropriations.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2020-2021 Budget**

The Village's general fund adopted budget for the year ended May 31, 2021 was \$9,992,565. The budget was funded through estimated revenues. The majority of this funding source was \$6,401,920 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	\$ 1,015,120
Revenues Under Budget	(257,378)
Expenditures Under Budget	826,908
Change in Restricted Fund Balance	<u>159,624</u>
Closing, Unassigned Fund Balance	<u><u>\$ 1,744,274</u></u>

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

Opening, Unassigned Fund Balance

The \$1,015,120 shown in the table is the portion of the Village's May 31, 2020 fund balance that was retained as unassigned.

Revenues Over Budget

The 2020-2021 final budget for revenues was \$9,992,565. Actual revenues recognized for the year were \$9,735,187. The excess of estimated or budgeted revenue over actual revenue was \$257,378, which contributes directly to the change to the general fund unassigned fund balance from May 31, 2020 to May 31, 2021. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Expenditures Over Budget

The 2020-2021 final budget for expenditures was \$9,992,565. Actual expenditures and other financing uses as of May 31, 2021 were \$9,165,657. The final budget variance was \$826,908, which contributes directly to the change to the general fund unassigned fund balance from May 31, 2020 to May 31, 2021. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Change in Restricted Fund Balances

The \$159,624 shown in the above table represents the relinquishment of the service award program assets.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance at May 31, 2021 was \$1,744,274.

**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, 2021, amounts to \$57,970,828. A summary of the Village's capital assets, at May 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</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.

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

**B. Debt Administration**

At May 31, 2021, the Village had total bonds payable of \$4,330,000. 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, 2021 and 2020 is as follows:

Issue Date	Interest Rate	2021	2020	Increase (Decrease)
<b>Bonds Payable</b>				
10/10/2019	0.60-2.75%	\$ 3,610,000	\$ 2,750,000	\$ 860,000
8/13/2020	1.125-2.00%	720,000	1,290,000	(570,000)
		<u>\$ 4,330,000</u>	<u>\$ 4,040,000</u>	<u>\$ 290,000</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, 2021 are approximately 7.0% of the Village's debt limit.

**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, and total other postemployment benefits liability. The compensated absences liability is based on employment contracts. The net pension liability – proportionate share, and the total other postemployment benefits obligation are based on actuarial valuations. The service award program liability was relinquished, as the Village no longer sponsors the plan.

	2021	2020	Increase (Decrease)
Capital leases payable	\$ 709,015	\$ 745,774	\$ (36,759)
Compensated absences	642,904	581,326	61,578
Net pension liability - proportionate share	12,907	3,525,323	(3,512,416)
Service award program liability		226,728	(226,728)
Total OPEB liability	<u>17,814,856</u>	<u>15,024,269</u>	<u>2,790,587</u>
	<u>\$ 19,179,682</u>	<u>\$ 20,103,420</u>	<u>\$ (923,738)</u>

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

**A. Subsequent Year's Budget**

The Board of Trustees approved a \$10,187,442 general fund budget for the year ending May 31, 2022. This is an increase of \$194,877 or 19.50% from the previous year. The increase is mainly attributable to an increase in employee benefits of \$53,522 and debt service of \$115,986.

The Village budgeted non-property tax revenues at an increase of \$72,706 from the prior year, mainly in the parks and recreation fees and state aid revenue lines. To meet the funding shortfall a property tax levy of \$6,524,591 was needed, which was an increase of \$122,671 or 1.9% from the prior year.

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

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**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. Municipalities may override the tax levy limit by first passing a law that allows for the tax levy limit to be exceeded. A subsequent vote to override the tax levy limit requires a 60% vote of total voting power of the governing board to pass (i.e., super majority). Based on the law, the Village's tax levy cap for 2021-2022 is 1.1%. The Village's 2021-2022 property tax increase of 1.9% exceeded the tax cap and was approved by the Board.

**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, 2021

<b>ASSETS</b>	
Cash: Unrestricted	\$ 4,842,781
Receivables	
Accounts receivable	343,360
Taxes receivable	124,729
Inventory	107,542
Capital assets	<u>57,970,828</u>
Total Assets	<u>63,389,240</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	2,663,472
Other postemployment benefits	<u>3,351,865</u>
Total Deferred Outflows of Resources	<u>6,015,337</u>
<b>LIABILITIES</b>	
Payables	
Accounts payable	618,925
Accrued liabilities	407,704
Due to employees' retirement system	94,317
Other liabilities	590,124
Unearned credits: Collections in advance	17,225
Notes payable: Bond anticipation	2,369,716
Long-term liabilities	
Due and payable within one year	
Bonds payable	630,000
Capital leases payable	369,389
Due and payable after one year	
Bonds payable	3,700,000
Capital leases payable	339,626
Compensated absences payable	642,904
Net pension liability - proportionate share	12,907
Total other postemployment benefits	<u>17,814,856</u>
Total Liabilities	<u>27,607,693</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	<u>3,842,041</u>
<b>NET POSITION</b>	
Net investment in capital assets	50,562,097
Unrestricted (deficit)	<u>(12,607,254)</u>
Total Net Position	<u>\$ 37,954,843</u>

**INCORPORATED VILLAGE OF PORT JEFFERSON**

**Statement of Activities**

For the Year Ended May 31, 2021

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants	Revenue and Changes in Net Position
			Capital Grants	
<b>FUNCTIONS/PROGRAMS</b>				
General government	\$ 1,830,461	\$ 1,809,179	\$	\$ (21,282)
Public safety	1,967,791			(1,967,791)
Transportation	4,658,119		-	(4,441,290)
Economic opportunity and development	37,923			(37,923)
Culture and recreation	4,254,042	2,995,911		(1,258,131)
Home and community	523,038	26,913		(496,125)
Debt service - interest	144,720			(144,720)
LOSAP relinquishment, net	(74,387)			74,387
Total Functions and Programs	<u>\$ 13,341,707</u>	<u>\$ 4,832,003</u>	<u>\$ -</u>	<u>\$ 216,829</u>
<b>GENERAL REVENUES</b>				
Real property taxes				6,529,769
Other tax items				360,261
Nonproperty taxes				354,165
Use of money and property				83,300
Sale of property and compensation for loss				33,468
Miscellaneous				85,280
State aid				540,424
Federal aid				21,785
Total General Revenues				<u>8,008,452</u>
Change in Net Position				(284,423)
Total Net Position - Beginning of Year				<u>38,239,266</u>
Total Net Position - End of Year				<u>\$ 37,954,843</u>

**INCORPORATED VILLAGE OF PORT JEFFERSON**  
**Balance Sheet - Governmental Funds**  
 May 31, 2021

	General	Community Development	Country Club	Capital Projects	Debt Service	Total Governmental Funds
<b>ASSETS</b>						
Cash: Unrestricted	\$ 2,245,331	\$ 13,631	\$ 904,141	\$ 1,679,678	\$	\$ 4,842,781
Receivables						
Accounts receivable	195,590	23,100	124,670			343,360
Taxes receivable	124,729					124,729
Due from other funds	514,192			88,521		602,713
Inventory			107,542			107,542
<b>Total Assets</b>	<b>\$ 3,079,842</b>	<b>\$ 36,731</b>	<b>\$ 1,136,353</b>	<b>\$ 1,768,199</b>	<b>\$ -</b>	<b>\$ 6,021,125</b>
<b>LIABILITIES</b>						
Payables						
Accounts payable	\$ 249,102	\$	\$ 96,726	\$ 273,097	\$	\$ 618,925
Accrued liabilities	263,446		118,190			381,636
Due to other funds		53,887	548,826			602,713
Due to employees' retirement system	84,357		9,960			94,317
Other liabilities	590,124					590,124
Unearned credits: Collections in advance			17,225			17,225
Notes payable: Bond anticipation				2,369,716		2,369,716
<b>Total Liabilities</b>	<b>1,187,029</b>	<b>53,887</b>	<b>790,927</b>	<b>2,642,813</b>	<b>-</b>	<b>4,674,656</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue	124,729					124,729
<b>FUND BALANCES (DEFICIT)</b>						
Nonspendable: Inventory			107,542			107,542
Assigned:						
Unappropriated fund balance	23,810		237,884			261,694
Unassigned: Fund balance (deficit)	1,744,274	(17,156)		(874,614)		852,504
<b>Total Fund Balances (Deficit)</b>	<b>1,768,084</b>	<b>(17,156)</b>	<b>345,426</b>	<b>(874,614)</b>	<b>-</b>	<b>1,221,740</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 3,079,842</b>	<b>\$ 36,731</b>	<b>\$ 1,136,353</b>	<b>\$ 1,768,199</b>	<b>\$ -</b>	<b>\$ 6,021,125</b>

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

May 31, 2021

Total Governmental Fund Balances (Deficit) \$ 1,221,740

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	
Less: Accumulated depreciation	-	
		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 liabilities and are not reported in the funds.

Deferred outflows of resources	2,663,472	
Net pension liability - employees' retirement system	(12,907)	
Deferred inflows of resources	(3,842,041)	
		(1,191,476)

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

Deferred outflows of resources	3,351,865	
Total other postemployment benefits liability	(17,814,856)	
		(14,462,991)

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.

124,729

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	(26,068)	
Bonds payable	(4,330,000)	
Capital leases payable	(709,015)	
Compensated absences payable	(642,904)	
		(5,707,987)

Total Net Position		\$ 37,954,843
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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, 2021

	General	Community Development	Country Club	Capital Projects	Debt Service	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$ 6,529,769	\$	\$	\$	\$	\$ 6,529,769
Real property tax items	360,261					360,261
Non-property taxes	354,165					354,165
Departmental income	1,297,855		2,995,911			4,293,766
Intergovernmental charges	26,913					26,913
Use of money and property	52,148		31,152			83,300
Licenses and permits	235,166					235,166
Fines and forfeitures	276,158					276,158
Sale of property and compensation for loss	30,325		3,143			33,468
Miscellaneous	32,003		2,210	56,798		91,011
State aid	540,424			216,829		757,253
Federal aid				21,785		21,785
<b>Total Revenues</b>	<b>9,735,187</b>	<b>-</b>	<b>3,032,416</b>	<b>295,412</b>	<b>-</b>	<b>13,063,015</b>
<b>EXPENDITURES</b>						
General government	2,096,379		65,111	262,699	48,787	2,472,976
Public safety	987,096			60,627		1,047,723
Transportation	1,413,705			1,253,375		2,667,080
Economic opportunity and development	37,923					37,923
Culture and recreation	1,066,540		1,471,566	301,200		2,839,306
Home and community	346,643					346,643
Employee benefits	2,018,864		348,269			2,367,133
Debt service						
Principal	692,371		280,075			972,446
Interest	95,112		22,562			117,674
<b>Total Expenditures</b>	<b>8,754,633</b>	<b>-</b>	<b>2,187,583</b>	<b>1,877,901</b>	<b>48,787</b>	<b>12,868,904</b>
Excess (Deficiency) of Revenues Over Expenditures	980,554	-	844,833	(1,582,489)	(48,787)	194,111
<b>OTHER FINANCING SOURCES AND (USES)</b>						
BANs redeemed from appropriations				240,000		240,000
Proceeds from debt				985,687		985,687
Payment to escrow agent					(4,061,213)	(4,061,213)
Proceeds of advance refunding					4,110,000	4,110,000
Operating transfers in				259,010		259,010
Operating transfers (out)	(251,400)		(7,610)			(259,010)
LOSAP relinquishment	(159,624)					(159,624)
<b>Total Other Financing Sources and (Uses)</b>	<b>(411,024)</b>	<b>-</b>	<b>(7,610)</b>	<b>1,484,697</b>	<b>48,787</b>	<b>1,114,850</b>
<b>Net Change in Fund Balances</b>	<b>569,530</b>	<b>-</b>	<b>837,223</b>	<b>(97,792)</b>	<b>-</b>	<b>1,308,961</b>
<b>Fund Balances (Deficit) - Beginning of Year</b>	<b>1,198,554</b>	<b>(17,156)</b>	<b>(491,797)</b>	<b>(776,822)</b>		<b>(87,221)</b>
<b>Fund Balance - End of Year</b>	<b>\$ 1,768,084</b>	<b>\$ (17,156)</b>	<b>\$ 345,426</b>	<b>\$ (874,614)</b>	<b>\$ -</b>	<b>\$ 1,221,740</b>

**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, 2021

Net Change in Fund Balances \$ 1,308,961

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). \$ 43,056

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.

Increase in compensated absences payable	(61,578)	
LOSAP relinquishment	234,011	
		215,489

Long-Term Debt Transactions Differences

Proceeds from the issuance of bonds 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. (5,095,687)

Payment to escrow agent is an other financing use in the government funds, but it decreases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities 4,061,213

Bond anticipation notes redeemed from governmental fund appropriations are an other funding source in the governmental funds, but they do not affect the Statement of Activities. (240,000)

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	500,000	
Repayment of capital leases payable	232,446	
Repayment of bond anticipation note payable	240,000	

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from May 31, 2020 to May 31, 2021. 21,741

21,741 (280,287)

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	221,937	
Other postemployment benefits	(1,750,523)	
		(1,528,586)

Change in Net Position of Governmental Activities \$ (284,423)

**INCORPORATED VILLAGE OF PORT JEFFERSON**  
**NOTES TO FINANCIAL STATEMENTS**

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**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 government support, public safety, transportation, economic opportunity and development, culture and recreation, and home and community service.

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

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

**B. Basis of Presentation**

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)

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Fund Financial Statements

The fund financial statements provide information about the Village's funds. 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.

**C. Measurement Focus and Basis of Accounting**

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

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

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

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

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recognized in the fiscal year it is apportioned by the state. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The Village considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, 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**

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

**E. Restricted Resources**

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

**F. Interfund Transactions**

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

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

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

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

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

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**G. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingencies at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences, pension costs and other postemployment benefits, and useful lives of capital assets.

**H. Cash and Cash Equivalents**

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

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

**I. Receivables**

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

**J. Inventory**

Inventory consists of purchased golf materials available for resale at the country club. Cost is determined using specific identifications.

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

**K. Capital Assets**

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

No depreciation has been provided on capital assets.

	<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

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

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**L. 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 two 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 and the Village's contributions to the pension system subsequent to the measurement date. The second item is related to OPEB and represents the change in the total other postemployment benefits liability not included in OPEB expense.

**M. Short-Term Debt**

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

**N. 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.

**O. 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.

**P. Other Benefits**

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

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

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

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

**Q. 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/expense credit) until that time. The Village has one item that qualifies for reporting in this category. The item relates 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

**R. Equity Classifications**

Government-Wide Statements

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

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

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

Fund Statements

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

*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 inventory, which is recorded in the country club.

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

**INCORPORATED VILLAGE OF PORT JEFFERSON**  
**NOTES TO FINANCIAL STATEMENTS**  
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*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.

**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, 2021, the Village implemented GASB Statement No. 84, *Fiduciary Activities*. This statement provides guidance for identifying fiduciary activities, primarily based on whether the assets associated with the activities are controlled by the government and the government does not have administrative involvement with the assets. As a result, some activities previously reported within the fiduciary funds are now reported within the governmental funds.

**3. FUTURE ACCOUNTING STANDARDS**

The Governmental Accounting Standards Board (GASB) Statements are issued to set generally accepted accounting principles (GAAP) for state and local governments. The following is not an all-inclusive list of GASB standards issued, but the statement that the Village feels may have a future impact on these financial statements. The Village will evaluate the impact of this pronouncement and implement it, as applicable, if material.

<b>Effective for the Year Ending</b>	<b>Statement</b>
May 31, 2022	GASB No. 87 - <i>Leases</i>

GASB Statement No. 87 will change the reporting of leases in the government-wide financial statements. A lessee will be required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of financial resources.

**INCORPORATED VILLAGE OF PORT JEFFERSON**  
**NOTES TO FINANCIAL STATEMENTS**  
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**4. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENT-WIDE STATEMENTS AND THE GOVERNMENTAL FUND STATEMENTS**

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

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

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

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

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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.

**5. 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 1<sup>st</sup>. 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. 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.

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

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**D. Capital Projects Fund**

The capital projects fund has an unassigned fund balance deficit of \$874,614. This will be funded when the Village obtains permanent financing for its current construction project.

**6. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

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

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

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

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

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

**Investment pool:**

The Village participates in the 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, 2021 are \$3,851,064,828, which consisted of \$291,226,773 in repurchase agreements, \$2,455,094,706 in U.S. Treasury Securities and \$1,104,743,349 in collateralized bank deposits, with various interest rates and due dates.

**INCORPORATED VILLAGE OF PORT JEFFERSON**  
**NOTES TO FINANCIAL STATEMENTS**  
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The following amounts are included as cash:

Fund	Carrying Amount
General	\$ 297,477

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](http://www.newyorkclass.org).

**7. CAPITAL ASSETS**

Capital asset balances and activity for the year ended May 31, 2021 were as follows:

	Balance May 31, 2020	Additions	Reductions	Balance May 31, 2021
Land	\$ 32,416,618	\$	\$	\$ 32,416,618
Buildings	17,599,156			17,599,156
Equipment	7,270,493			7,270,493
Other	684,561			684,561
	\$ 57,970,828	\$ -	\$ -	\$ 57,970,828

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

**8. INTERFUND TRANSACTIONS**

Interfund balances and activities at May 31, 2021, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 514,192	\$	\$	\$ 251,400
Community Development Fund		53,887		
Country Club Fund		548,826		7,610
Capital Projects Fund	88,521		259,010	
	\$ 602,713	\$ 602,713	\$ 259,010	\$ 259,010

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

**INCORPORATED VILLAGE OF PORT JEFFERSON**  
**NOTES TO FINANCIAL STATEMENTS**  
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**9. SHORT-TERM DEBT**

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

	<u>Maturity</u>	<u>Stated Interest Rate</u>	<u>Balance May 31, 2020</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance May 31, 2021</u>
BAN	8/14/2020	2.25%	\$ 960,000	\$	\$ (960,000)	\$
BAN	10/15/2021	0.56%	<u>                    </u>	<u>2,369,716</u>	<u>                    </u>	<u>2,369,716</u>
			<u>\$ 960,000</u>	<u>\$ 2,369,716</u>	<u>\$ (960,000)</u>	<u>\$ 2,369,716</u>

Interest on short-term debt for the year was \$12,715. The Village received a premium of \$5,731, which is included in miscellaneous revenue in the general fund.

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

Interest paid	\$ 21,540
Less interest accrued in the prior year	(17,055)
Plus interest accrued in the current year	<u>8,230</u>
Total interest expense on short-term debt	<u>\$ 12,715</u>

**10. LONG-TERM LIABILITIES**

**A. Changes**

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

	<u>Balance May 31, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance May 31, 2021</u>	<u>Amounts Due Within One Year</u>
Long-term debt:					
Bonds payable	\$ 4,040,000	\$ 790,000	\$ (500,000)	\$ 4,330,000	\$ 630,000
Capital lease payable	<u>745,774</u>	<u>195,687</u>	<u>(232,446)</u>	<u>709,015</u>	<u>369,389</u>
	4,785,774	985,687	(732,446)	5,039,015	999,389
Other long-term liabilities:					
Compensated absences	<u>581,326</u>	<u>61,578</u>	<u>                    </u>	<u>642,904</u>	<u>                    </u>
	<u>\$ 5,367,100</u>	<u>\$ 1,047,265</u>	<u>\$ (732,446)</u>	<u>\$ 5,681,919</u>	<u>\$ 999,389</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.

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

**B. Bonds Payable**

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at May 31, 2021
2019 Refunding bond	10/10/2019	10/1/2028	0.60-2.75%	\$ 3,610,000
2020 Bond	8/13/2020	8/1/2030	1.125-2.00%	<u>720,000</u>
				<u>\$ 4,330,000</u>

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

Year Ending May 31,	Principal	Interest	Total
2022	\$ 630,000	\$ 63,476	\$ 693,476
2023	650,000	52,945	702,945
2024	655,000	45,622	700,622
2025	645,000	37,225	682,225
2026	640,000	27,828	667,828
2027-2031	<u>1,110,000</u>	<u>31,048</u>	<u>1,141,048</u>
Total	<u>\$ 4,330,000</u>	<u>\$ 258,144</u>	<u>\$ 4,588,144</u>

**C. Advance Refunding**

On October 10, 2019, the Village issued \$4,110,000 in general obligation bonds with an average interest rate of 1.68% to advance refund \$4,040,000 of outstanding bonds with an average interest rate of 3.00%. The net proceeds of \$4,061,213 (after payment of \$48,787 in issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased, and the liability for those bonds has been removed from the Village's financial statements. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately \$181,468.

**D. 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	\$ 749,515
Less: Amounts representing interest	<u>(40,500)</u>
	<u>\$ 709,015</u>

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

Scheduled maturities of future minimum lease principal payments at May 31, 2021, are as follows:

Year Ending May 31,	Amount
2022	\$ 369,389
2023	177,610
2024	153,728
2025	8,288
Total	\$ 709,015

**E. Interest Expense**

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

Interest paid	\$ 96,134
Less interest accrued in the prior year	(30,754)
Plus interest accrued in the current year	17,838
Plus issuance cost of refunding	48,787
Total interest expense on long-term debt	\$ 132,005

**11. PENSION PLANS - NEW YORK STATE**

**A. General Information**

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

**B. Provisions and Administration**

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the Fund and is the administrative head of the ERS. Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found on the NYS Comptroller's website at [www.osc.state.ny.us/retire/publications/index.php](http://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.

**INCORPORATED VILLAGE OF PORT JEFFERSON**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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 31<sup>st</sup>, and employer contributions are either paid by the prior December 15<sup>th</sup> less a 1% discount or by the prior February 1<sup>st</sup>. The Village paid 100% of the required contributions as billed by the ERS for the current year. The Village's average contribution rate was 11.76% of covered payroll for the ERS' fiscal year ended March 31, 2021.

The Village's share of the required contributions, based on covered payroll for the Village's year ended May 31, 2021 was \$497,234 at the contribution rate of 13.15%.

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

At May 31, 2021, 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, 2021. 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, 2021
Village's proportionate share of the net pension liability	\$ (12,907)
Village's portion of the Plan's total net pension liability	0.0129621%
Change in proportion since the prior measurement date	(0.0000035)

For the year ended May 31, 2021, the Village recognized pension expense of \$234,465. At May 31, 2021, the Village reported deferred outflows and inflows of resources related to pensions from the following sources:

**INCORPORATED VILLAGE OF PORT JEFFERSON**  
**NOTES TO FINANCIAL STATEMENTS**  
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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 157,628	
Changes of assumptions	2,373,153	44,758
Net difference between projected and actual investment earnings on pension plan investments		3,707,606
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	38,374	89,677
Village contributions subsequent to the measurement date	<u>94,317</u>	
Total	<u>\$ 2,663,472</u>	<u>\$ 3,842,041</u>

Village contributions, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending May 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending May 31,</u>	
2022	\$ (236,529)
2023	(88,312)
2024	(218,732)
2025	<u>(729,313)</u>
	<u>\$ (1,272,886)</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, 2021
Actuarial valuation date	April 1, 2020
Inflation	2.70%
Salary increases	4.40%
Investment rate of return (net of investment expense, including inflation)	5.90%
Cost of living adjustments	1.40%

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

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 system experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2020. The actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

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

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

	Target Allocation	Long-term Expected Rate of Return
Measurement date		March 31, 2021
Asset type		
Domestic equity	32.0%	4.05%
International equity	15.0%	6.30%
Real estate	9.0%	4.95%
Private equities	10.0%	6.75%
Alternatives investments	10.0%	3.63-5.95%
Bonds and mortgages	23.0%	0.00%
Cash	1.0%	0.50%
	100.0%	

Real rates of return are net of a long-term inflation assumption of 2.0%.

Discount Rate

The discount rate used to measure the total pension liability was 5.90% (the discount rate used at the prior year’s measurement date of March 31, 2020 was 6.80%). 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 5.90%, as well as what the Village’s proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (4.90%) or 1 percentage point higher (6.90%) than the current rate:

**INCORPORATED VILLAGE OF PORT JEFFERSON**  
**NOTES TO FINANCIAL STATEMENTS**  
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	1% Decrease 4.90%	Current Assumption 5.90%	1% Increase 6.90%
Village's proportionate share of the net pension asset (liability)	\$ (3,582,450)	\$ (12,907)	\$ 3,279,048

**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, 2021 <i>(Dollars in Thousands)</i>
Employers' total pension liability	\$ (220,680,157)
Plan fiduciary net position	220,580,583
Employers' net pension liability	\$ (99,574)
Ratio of plan fiduciary net position to the employers' total pension liability	99.95%

**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, 2021, represent the projected employer contribution for the period of April 1, 2021 through May 31, 2021 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2021 amounted to \$94,317 of employer contributions. Employee contributions are remitted monthly.

**12. 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. Effective January 1, 2021, the Village no longer sponsored the LOSAP.

**13. POSTEMPLOYMENT HEALTHCARE BENEFITS**

**A. General Information about the OPEB Plan**

*Plan Description* – The Village provides OPEB for eligible retired employees of the Village. The benefits provided to employees upon retirement are based on provisions in the various contracts that the Village has in place with different classifications of employees. The plan is a single-employer defined benefit OPEB

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

plan administered through the New York State Health Insurance Program-Empire Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

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

*Employees Covered by Benefit Terms* – At May 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	18
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	57
	75

**B. Total OPEB Liability**

The Village’s total OPEB liability of \$17,814,856 was measured as of May 31, 2021, and was determined by an actuarial valuation date of May 31, 2020. 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	2.00%	
Healthcare cost trend rates	5.75%	decreasing to an ultimate rate of 5.00% by 2025
Retirees' share of benefit-related costs	25.00%	of projected health insurance premiums for retirees

The discount rate was changed from 2.50% used at the May 31, 2020 measurement date, to 2.00%, which is 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 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor. The plan does not have credible data on which to perform an experience study. As a result, a full actuarial experience study is not applicable.

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

**C. Changes in the Total OPEB Liability**

Balance at May 31, 2020	<u>\$ 15,024,269</u>
Changes for the year	
Service cost	1,055,760
Interest	372,448
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	1,615,088
Benefit payments	<u>(252,709)</u>
	<u>2,790,587</u>
Balance at May 31, 2021	<u><u>\$ 17,814,856</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.50% in 2020 to 2.00% in 2021.

*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 (1.00%) or 1 percentage point higher (3.00%) than the current discount rate:

OPEB	1% Decrease 1.00%	Discount Rate 2.00%	1% Increase 3.00%
Total OPEB liability	<u>\$ (21,769,775)</u>	<u>\$ (17,814,856)</u>	<u>\$ (14,780,989)</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 (4.75% decreasing to 4.00%) or 1 percentage point higher (6.75% decreasing to 6.00%) than the current healthcare cost trend rate:

OPEB	4.75% decreasing to 4.00%	Healthcare Cost Cost Trend Rates 5.75% decreasing to 5.00%	6.75% decreasing to 6.00%
Total OPEB liability	<u>\$ (14,106,029)</u>	<u>\$ (17,814,856)</u>	<u>\$ (22,894,983)</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, 2021, the Village recognized OPEB expense of \$1,750,523. At May 31, 2021, the Village reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 787,917
Changes of assumptions or other inputs	2,563,948
Total	\$ 3,351,865

Village contributions, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending May 31, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending May 31,	Amount
2022	\$ 575,024
2023	575,024
2024	575,024
2025	575,024
2026	424,943
Thereafter	626,826
	\$ 3,351,865

**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. 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.

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

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**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, 2021, 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.

**16. 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.

**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, 2021

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
Local Sources				
Real Property Taxes	\$ 6,401,920	\$ 6,401,920	\$ 6,529,769	\$ 127,849
Real Property Tax Items				
Tax assessment	275,000	275,000	290,570	15,570
Interest & penalties	40,000	40,000	65,173	25,173
Tax lien redemption	-	-	1,077	1,077
Other real property tax items	-	-	3,441	3,441
Total Real Property Tax Items	315,000	315,000	360,261	45,261
Non-Property Taxes				
Utilities gross receipts tax	180,000	180,000	183,025	3,025
Franchises	190,000	190,000	171,140	(18,860)
Total Non-Property Taxes	370,000	370,000	354,165	(15,835)
Departmental Income				
Zoning & planning board fees	30,000	30,000	40,915	10,915
Safety inspection fees	55,000	55,000	45,759	(9,241)
Health	105,000	105,000	119,050	14,050
Parking meter fees	566,500	566,500	322,902	(243,598)
Village center, concessions, rink & park fees	722,259	722,259	769,229	46,970
Total Departmental Income	1,478,759	1,478,759	1,297,855	(180,904)
Intergovernmental Charges				
	10,000	10,000	26,913	16,913
Use of Money and Property				
	79,740	79,740	52,148	(27,592)
Licenses and Permits				
	225,000	225,000	235,166	10,166
Fines and Forfeitures				
	510,000	510,000	276,158	(233,842)
Sale of Property & Compensation for Loss				
Sale of equipment	7,500	7,500	1,877	(5,623)
Self insurance recoveries	-	-	24,221	24,221
Other compensation for loss	-	-	4,227	4,227
Total Sale of Property & Compensation for Loss	7,500	7,500	30,325	22,825
Miscellaneous				
Other miscellaneous	10,000	10,000	26,272	16,272
Premium on obligations	-	-	5,731	5,731
Total Miscellaneous	10,000	10,000	32,003	22,003
Total Local Sources	9,407,919	9,407,919	9,194,763	(213,156)
State Aid				
Revenue sharing	33,302	33,302	33,302	-
Mortgage tax	350,000	350,000	507,122	157,122
Consolidated Highway Aid (CHIPS)	201,344	201,344	-	(201,344)
Total State Aid	584,646	584,646	540,424	(44,222)
Total Revenues	\$ 9,992,565	\$ 9,992,565	9,735,187	\$ (257,378)

**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, 2021

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>EXPENDITURES</b>				
<b>General Government Support</b>				
Board of Trustees	\$ 31,500	\$ 31,500	\$ 25,095	\$ 6,405
Village Justice	171,700	129,459	110,423	19,036
Mayor	22,500	22,500	19,115	3,385
Treasurer	458,500	492,272	492,128	144
Assessment	30,000	30,000	30,000	-
Clerk	431,800	440,820	438,717	2,103
Law	221,000	226,000	208,851	17,149
Engineer	146,116	142,933	129,155	13,778
Elections	5,600	6,978	3,863	3,115
Special Items	61,600	90,621	88,143	2,478
Buildings	242,730	256,287	250,088	6,199
Unallocated Insurance	355,000	300,801	300,801	-
	<u>2,178,046</u>	<u>2,170,171</u>	<u>2,096,379</u>	<u>73,792</u>
<b>Public Safety</b>				
Police	505,125	577,838	576,648	1,190
Traffic Control	35,000	35,000	12,289	22,711
Parking	214,600	214,600	192,348	22,252
Safety Inspection	229,500	205,811	205,811	-
	<u>984,225</u>	<u>1,033,249</u>	<u>987,096</u>	<u>46,153</u>
<b>Transportation</b>				
Maintenance of Streets	1,460,000	1,208,628	997,493	211,135
Snow Removal	165,000	165,000	156,950	8,050
Street Lighting	272,100	272,100	243,324	28,776
Sidewalks	40,000	40,000	4,832	35,168
Off-Street Parking	40,000	40,000	11,106	28,894
	<u>1,977,100</u>	<u>1,725,728</u>	<u>1,413,705</u>	<u>312,023</u>
<b>Economic Opportunity &amp; Development</b>				
Programs For Aging	63,700	63,700	37,923	25,777
<b>Culture &amp; Recreation</b>				
Parks	465,000	465,000	419,420	45,580
Playground & Recreational Centers	812,200	798,313	636,974	161,339
Celebrations	21,300	12,406	10,146	2,260
	<u>1,298,500</u>	<u>1,275,719</u>	<u>1,066,540</u>	<u>209,179</u>
<b>Home &amp; Community</b>				
Drainage	35,000	35,000	8,564	26,436
Planning	196,350	210,510	208,411	2,099
Environmental	40,000	40,000	23,520	16,480
Refuse & Garbage	105,500	108,951	106,148	2,803
	<u>376,850</u>	<u>394,461</u>	<u>346,643</u>	<u>47,818</u>

**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, 2021

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>EXPENDITURES (Continued)</b>				
Employee Benefits				
State retirement	\$ 480,519	\$ 477,614	\$ 456,402	\$ 21,212
Service award program	-	14,063	14,063	-
Social security & Medicare	280,000	280,000	274,456	5,544
Workers' compensation	160,000	133,367	118,646	14,721
Life insurance	6,500	6,500	-	6,500
Unemployment insurance	20,000	23,288	23,288	-
Disability insurance	2,000	2,318	2,318	-
Hospital & medical insurance	1,170,000	1,114,130	1,101,285	12,845
Accrued leave	10,000	28,406	28,406	-
Total Employee Benefits	2,129,019	2,079,686	2,018,864	60,822
Debt Service				
Principal	615,000	692,371	692,371	-
Interest	67,381	95,112	95,112	-
Total Debt Service	682,381	787,483	787,483	-
Total Expenditures	9,689,821	9,530,197	8,754,633	775,564
<b>OTHER USES</b>				
Operating Transfers Out	302,744	302,744	251,400	51,344
LOSAP Relinquishment	-	159,624	159,624	-
Total Other Uses	302,744	462,368	411,024	51,344
Total Expenditures and Other Uses	\$ 9,992,565	\$ 9,992,565	9,165,657	\$ 826,908
Net Change in Fund Balance			569,530	
Fund Balance - Beginning of Year			1,198,554	
Fund Balance - End of Year			\$ 1,768,084	

**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 Three Fiscal Years

***Employees' Retirement System***

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Village's proportion of the net pension liability	0.0129621%	0.0133129%	0.0127564%
Village's proportionate share of the net pension liability	\$ 12,907	\$ 3,525,323	\$ 903,828
Village's covered payroll	\$ 3,781,691	\$ 3,635,314	\$ 3,386,392
Village's proportionate share of the net pension liability as a percentage of its covered payroll	0.34 %	96.97 %	26.69 %
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%
Discount rate	5.90%	7.10%	7.25%

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

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

*Employees' Retirement System*

	2021	2020	2019
Contractually required contribution	\$ 497,234	\$ 485,475	\$ 471,316
Contributions in relation to the contractually required contribution	497,234	485,475	471,316
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Village's covered payroll	\$ 3,780,253	\$ 3,628,005	\$ 3,386,392
Contributions as a percentage of covered payroll	13%	13%	14%

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

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

	2021	2020	2019
Total OPEB liability			
Service cost	\$ 1,055,760	\$ 847,423	\$ 770,955
Interest	372,448	375,868	364,276
Changes in benefit terms	-	-	-
Differences between expected and actual experience	-	1,050,557	-
Changes of assumptions or other inputs	1,615,088	733,899	1,050,564
Benefit payments	(252,709)	(216,484)	(143,149)
Net change in total OPEB liability	2,790,587	2,791,263	2,042,646
Total OPEB Liability, Beginning	15,024,269	12,233,006	10,190,360
Total OPEB Liability, Ending	<u>\$ 17,814,856</u>	<u>\$ 15,024,269</u>	<u>\$ 12,233,006</u>
Covered employee payroll	\$ 2,952,488	\$ 2,952,488	\$ 2,913,999
Total OPEB liability as a percentage of covered employee payroll	603.38%	508.87%	419.80%
Discount rate	2.00%	2.50%	3.10%
Healthcare trend rates	5.75% to 5.00% By 2025	6.25% to 5.00% By 2025	6.25% to 5.00% By 2025

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

**Notes to Required Supplementary Information**

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

