



**Incorporated Village of
Greenport, New York**

Financial Report

May 31, 2018

Incorporated Village of Greenport, New York

Financial Report

May 31, 2018

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Independent Auditor's Report

Mayor and Board of Trustees
Incorporated Village of Greenport, New York
Greenport, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the fiduciary fund of the Incorporated Village of Greenport, New York (Village) as of and for the year ended May 31, 2018, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 entity'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 entity'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the fiduciary fund of the Village as of May 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1q to the financial statements, in the year ended May 31, 2018, the Village adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinions are not modified with respect to this matter.

Other Matter

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 10 and the required supplementary information listed in the accompanying table of contents on pages 53 to 57 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2018, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

BST & CO. CPAs, LLP

Albany, New York
December 17, 2018



Incorporated Village of Greenport, New York

Management's Discussion and Analysis May 31, 2018

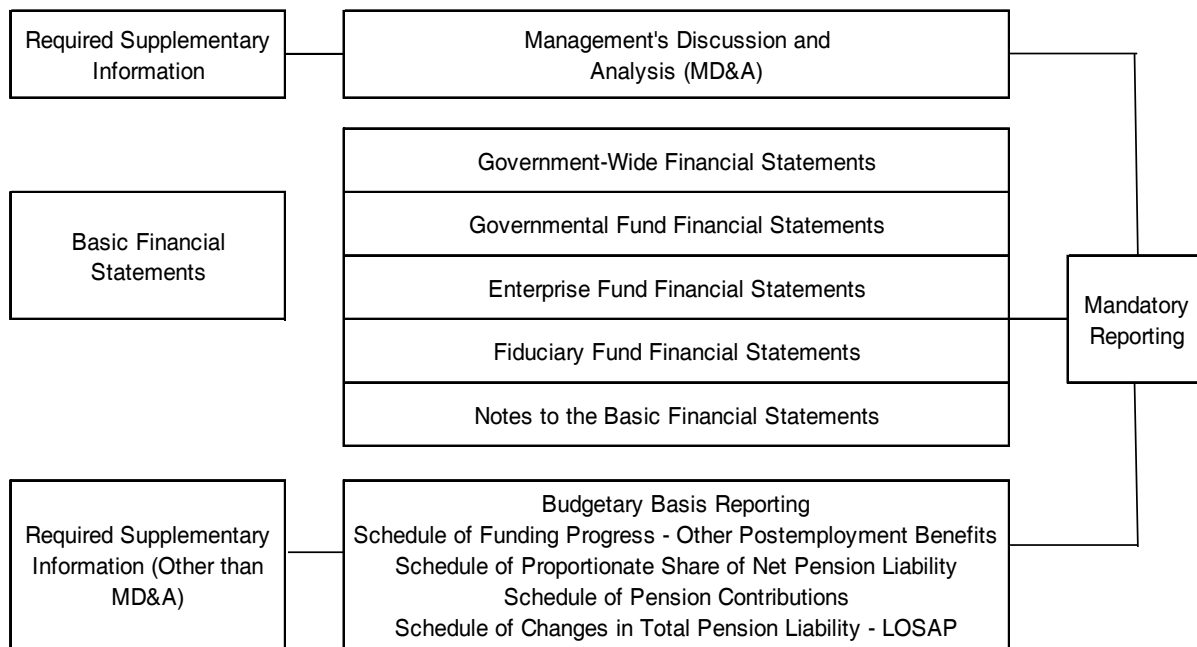
As management of the Village of Greenport, New York (Village), we offer the readers of the Village's financial statements this narrative overview and analysis as of and for the year ended May 31, 2018. We encourage readers to consider the information presented here in conjunction with our financial statements, which can be found on pages 11 through 52 and our supplementary information which can be found on pages 53 and 57 of this report.

Financial Highlights

- The assets of the Village exceeded liabilities on May 31, 2018 by \$22,637,612, representing net position. Of this amount, \$21,419,640 represents the Village's net investment in capital assets (capital assets, less long-term liabilities used to acquire capital assets), and \$3,255,154 is restricted for future capital improvements and debt service. The remaining amount, which represents an unrestricted deficit of net position, is \$2,037,612.
- At May 31, 2018, the Village's governmental funds reported a combined ending fund balance of \$5,518,753. Of this amount, \$4,141,619 of the fund balance was nonspendable, restricted, or assigned for specific purposes. The remaining amount, which represents unassigned fund balance, is \$1,377,134.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's financial statements. The Village's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The following diagram illustrates the minimum financial reporting requirements of the Village under accounting principles generally accepted in the United States of America (U.S. GAAP):



Incorporated Village of Greenport, New York

Management's Discussion and Analysis May 31, 2018

Overview of the Financial Statements - Continued

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances in a manner similar to private sector business.

The statement of net position presents information on all of the Village's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government support, public safety, health, transportation, economic opportunity and development, culture and recreation, and home and community services. The business-type activities of the Village include electric, water, and sewer services.

The government-wide financial statements can be found on pages 11 and 12 of this report.

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

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

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

Incorporated Village of Greenport, New York

Management's Discussion and Analysis May 31, 2018

Overview of the Financial Statements - Continued

Fund Financial Statements - Continued

The Village maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, Housing Authority, and Community Development, all of which are considered to be major funds. The Village adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund that demonstrates compliance with this budget.

The governmental fund financial statements can be found on pages 13 through 16 of this report.

Proprietary funds. The Village maintains proprietary funds to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric, Water, and Sewer operations, all of which are considered to be major funds of the Village.

The proprietary fund financial statements can be found on pages 17 through 19 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties other than the Village. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village-owned programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statement can be found on page 20 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 52 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$22,637,612 at May 31, 2018.

By far, the largest portion, \$19,702,334, of the Village's net position (87%) reflects its investment in capital assets (i.e., land, buildings, infrastructure, vehicles, and machinery and equipment) less accumulated depreciation and any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Incorporated Village of Greenport, New York

Management's Discussion and Analysis May 31, 2018

Overview of the Financial Statements - Continued

Government-Wide Financial Analysis - Continued

Condensed Statements of Net Position

The Village experienced an increase in net position during 2018 totaling \$929,339.

Table 1 - Net Position as of May 31, 2018 and 2017

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|--|----------------------------|--------------------|-----------------------------|---------------|-----------------------------|--------------------|
| | 2018 | 2017 (Restated) | 2018 | 2017 | 2018 | 2017 (Restated) |
| ASSETS | | | | | | |
| Cash and equivalents | \$ 3,305,859 | \$ 1,887,444 | \$ 3,267,713 | \$ 2,906,131 | \$ 6,573,572 | \$ 4,793,575 |
| Cash and cash equivalents, restricted | 857,510 | 1,275,266 | 2,523,186 | 3,305,672 | 3,380,696 | 4,580,938 |
| Investments, restricted | 2,679,830 | 2,517,330 | - | - | 2,679,830 | 2,517,330 |
| Receivables, net | 212,928 | 195,422 | 556,262 | 617,113 | 769,190 | 812,535 |
| Inventory | - | - | 227,821 | 203,221 | 227,821 | 203,221 |
| Prepaid expenses | 109,570 | 100,157 | 53,572 | 49,089 | 163,142 | 149,246 |
| Due from fiduciary funds | - | 36,092 | - | - | - | 36,092 |
| Internal balances | (56,959) | (84,850) | 56,959 | 84,850 | - | - |
| Total non-capital assets | 7,108,738 | 5,926,861 | 6,685,513 | 7,166,076 | 13,794,251 | 13,092,937 |
| Capital assets, net | 12,126,413 | 10,498,116 | 16,574,857 | 15,724,804 | 28,701,270 | 26,222,920 |
| Total assets | 19,235,151 | 16,424,977 | 23,260,370 | 22,890,880 | 42,495,521 | 39,315,857 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Pension and length of service award program obligation deferrals | 621,970 | 184,510 | 320,893 | 225,512 | 942,863 | 410,022 |
| Total assets and deferred outflows of resources | 19,857,121 | 16,609,487 | 23,581,263 | 23,116,392 | 43,438,384 | 39,725,879 |
| LIABILITIES | | | | | | |
| Accounts payable and other current liabilities | 734,634 | 228,919 | 382,649 | 405,344 | 1,117,283 | 634,263 |
| Unearned revenues | 852,532 | 910,805 | - | - | 852,532 | 910,805 |
| Due to NYS retirement system | 19,130 | 20,131 | 23,382 | 24,603 | 42,512 | 44,734 |
| Due to fiduciary fund | - | 5,695 | - | - | - | 5,695 |
| Customer deposits | - | - | 125,542 | 127,481 | 125,542 | 127,481 |
| Long-term liabilities | | | | | | |
| Due within one year | 380,019 | 455,416 | 304,200 | 306,200 | 684,219 | 761,616 |
| Due in more than one year | | | | | | |
| Bonds payable | 2,347,500 | 1,894,000 | 2,831,500 | 3,076,500 | 5,179,000 | 4,970,500 |
| State loan payable | - | - | 1,477,611 | 1,536,811 | 1,477,611 | 1,536,811 |
| Compensated absences | 72,103 | 62,246 | 132,325 | 105,134 | 204,428 | 167,380 |
| Net pension liability | 97,020 | 281,885 | 118,580 | 344,525 | 215,600 | 626,410 |
| Unearned revenues | 1,296,320 | - | - | - | 1,296,320 | - |
| Length of service award program obligations | 4,766,750 | 4,405,789 | - | - | 4,766,750 | 4,405,789 |
| Other postemployment benefits | 1,586,673 | 1,423,490 | 2,548,880 | 2,286,738 | 4,135,553 | 3,710,228 |
| Total liabilities | 12,152,681 | 9,688,376 | 7,944,669 | 8,213,336 | 20,097,350 | 17,901,712 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Pension deferrals | 316,540 | 52,152 | 386,882 | 63,742 | 703,422 | 115,894 |
| Total liabilities and deferred inflows of resources | 12,469,221 | 9,740,528 | 8,331,551 | 8,277,078 | 20,800,772 | 18,017,606 |
| NET POSITION | | | | | | |
| Net investment in capital assets | 9,398,894 | 8,148,700 | 12,020,746 | 10,864,493 | 21,419,640 | 19,013,193 |
| Restricted for | | | | | | |
| Capital improvements | 425,947 | 411,510 | 2,397,644 | 3,178,191 | 2,823,591 | 3,589,701 |
| Debt service | 431,563 | 863,756 | - | - | 431,563 | 863,756 |
| Unrestricted (deficit) | (2,868,504) | (2,555,007) | 831,322 | 796,630 | (2,037,182) | (1,758,377) |
| Total net position | \$ 7,387,900 | \$ 6,868,959 | \$ 15,249,712 | \$ 14,839,314 | \$ 22,637,612 | \$ 21,708,273 |

Incorporated Village of Greenport, New York

Management's Discussion and Analysis May 31, 2018

Overview of the Financial Statements - Continued

Government-Wide Financial Analysis - Continued

Table 2 - Changes in Net Position for the Fiscal Years Ended May 31, 2018 and 2017

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|--|----------------------------|---------------------|-----------------------------|----------------------|-----------------------------|----------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| REVENUES | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 2,979,205 | \$ 2,954,034 | \$ 5,662,869 | \$ 5,182,036 | \$ 8,642,074 | \$ 8,136,070 |
| Operating grants and contributions | 943,129 | 1,090,296 | - | - | 943,129 | 1,090,296 |
| Capital grants and contributions | 300,837 | 6,323 | - | - | 300,837 | 6,323 |
| General revenues | | | | | | |
| Real property tax and related tax items | 1,046,739 | 1,053,591 | - | - | 1,046,739 | 1,053,591 |
| Non-property taxes | - | - | 26,984 | 26,984 | 26,984 | 26,984 |
| Other general revenue items | 262,062 | 206,250 | 22,401 | 3,849 | 284,463 | 210,099 |
| Investment and deposit earnings | 145,674 | 235,975 | 6,722 | 7,774 | 152,396 | 243,749 |
| State aid and mortgage taxes not restricted to specific purposes | 66,260 | - | - | - | 66,260 | - |
| Total revenues | <u>5,743,906</u> | <u>5,546,469</u> | <u>5,718,976</u> | <u>5,220,643</u> | <u>11,462,882</u> | <u>10,767,112</u> |
| EXPENSES | | | | | | |
| General government support | 673,825 | 734,325 | - | - | 673,825 | 734,325 |
| Public safety | 1,242,772 | 1,028,999 | - | - | 1,242,772 | 1,028,999 |
| Health | 8,860 | 11,832 | - | - | 8,860 | 11,832 |
| Transportation | 966,802 | 1,246,543 | - | - | 966,802 | 1,246,543 |
| Economic opportunity and development | 52,007 | 42,771 | - | - | 52,007 | 42,771 |
| Culture and recreation | 1,241,270 | 1,311,824 | - | - | 1,241,270 | 1,311,824 |
| Home and community service | 1,158,029 | 1,137,686 | - | - | 1,158,029 | 1,137,686 |
| Electric | - | - | 3,354,023 | 3,075,106 | 3,354,023 | 3,075,106 |
| Water | - | - | 362,681 | 444,811 | 362,681 | 444,811 |
| Sewer | - | - | 1,473,274 | 1,464,896 | 1,473,274 | 1,464,896 |
| Total expenses | <u>5,343,565</u> | <u>5,513,980</u> | <u>5,189,978</u> | <u>4,984,813</u> | <u>9,859,718</u> | <u>9,764,468</u> |
| Increase (decrease) in net position before transfers | 400,341 | 32,489 | 528,998 | 235,830 | 1,603,164 | 268,319 |
| Capital contributions | 30,600 | 30,600 | (30,600) | (30,600) | - | - |
| Transfers | 88,000 | 88,000 | (88,000) | (88,000) | - | - |
| CHANGES IN NET POSITION | 518,941 | 151,089 | 410,398 | 117,230 | 929,339 | 268,319 |
| NET POSITION, beginning of year, as previously stated | 6,868,959 | 7,584,381 | 14,839,314 | 14,722,084 | 21,708,273 | 22,306,465 |
| Effects of adoption of GASB 73 | - | (866,511) | - | - | - | (866,511) |
| NET POSITION, beginning of year, as restated | - | 6,717,870 | - | - | - | 21,439,954 |
| NET POSITION, end of year | \$ 7,387,900 | \$ 6,868,959 | \$ 15,249,712 | \$ 14,839,314 | \$ 22,637,612 | \$ 21,708,273 |

Governmental activities. Governmental activities increased the Village's net position by \$518,941.

For the most part, revenues and expenses remained relatively consistent year over year.

During the year ended May 31, 2018, the Village implemented the remaining provisions of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*. The requirements of this statement address accounting and reporting for employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68 that are effective for financial statements for fiscal year beginning after June 15, 2016. In the prior year, the Village adopted the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions. The Village has restated its opening net position to comply with the provisions of this statement and recognized an expense of \$360,961 in the governmental activities during the current fiscal year.

Incorporated Village of Greenport, New York

Management's Discussion and Analysis May 31, 2018

Overview of the Financial Statements - Continued

Business-type activities. Business-type activities increased the Village's net position by \$410,398. Net position increased for the Electric and Water Funds by \$339,718 and \$97,750, respectively. Net position decreased in the Sewer Fund by \$27,070.

Financial Analysis of the Village's Funds

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

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

As of the end of the current fiscal year, the Village's governmental funds reported a combined ending fund balance of \$5,518,753, an increase of \$748,441 from the prior year, primarily caused by proceeds of serial bonds issued during the fiscal year and the utility easement agreement, discussed below. Out of the total fund balance, \$109,570 is in non-spendable form and, therefore, is not available for new spending, \$2,679,830 is restricted for future awards provided under the Village's length of service award program, \$431,563 is restricted for future capital improvements and \$425,947 is restricted for future debt service. \$494,709 of the Village's total fund balance is assigned for specific purposes, including community development, Housing Authority activities, and capital projects. The remaining amount, which represents unassigned fund balances, is \$1,377,134.

The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$1,377,134, while total fund balance was \$5,024,044. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 31% of total General Fund expenditures, while total fund balance represents approximately 111% of that same amount. The overall fund balance of the Village's General Fund increased by \$645,890 during the current fiscal year, primarily due to the execution of a utility easement agreement as discussed in Note 1I to these financial statements.

The difference between the adopted General Fund budget and actual amounts for revenues and transfers-in was \$1,548,899. The primary driver of this increase was miscellaneous local sources as a result of proceeds from the utility easement agreement entered into in 2018. Various budget amendments during the year kept the Village's actual revenue and expenditures in line with the budget.

Incorporated Village of Greenport, New York

Management's Discussion and Analysis May 31, 2018

Overview of the Financial Statements - Continued

Capital Asset and Debt Administration

Capital Assets. The Village's investment in capital assets for its governmental and business-type activities as of May 31, 2018, amounts to \$28,701,270 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, vehicles, and infrastructure assets, such as roads, streets, and electrical, sewer, and water systems.

Table 3 - Capital Assets as of May 31, 2018 and 2017

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|--|----------------------------|----------------------|-----------------------------|----------------------|-----------------------------|----------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Land | \$ 2,687,935 | \$ 2,687,935 | \$ 22,750 | \$ 22,750 | \$ 2,710,685 | \$ 2,710,685 |
| Buildings | 4,803,950 | 4,744,054 | 1,631,155 | 1,617,130 | 6,435,105 | 6,361,184 |
| Machinery and equipment | 8,040,937 | 7,838,133 | 4,680,729 | 4,538,931 | 12,721,666 | 12,377,064 |
| Infrastructure | 7,249,362 | 7,055,689 | - | - | 7,249,362 | 7,055,689 |
| Distribution, transmission, and other operational equipment | - | - | 22,020,837 | 20,777,084 | 22,020,837 | 20,777,084 |
| Construction in progress | 1,717,306 | - | - | - | 1,717,306 | - |
| Vehicles | 1,521,552 | 1,581,662 | 689,896 | 652,525 | 2,211,448 | 2,234,187 |
| Total capital | 26,021,042 | 23,907,473 | 29,045,367 | 27,608,420 | 55,066,409 | 51,515,893 |
| Accumulated depreciation | (13,894,629) | (13,409,357) | (12,470,510) | (11,883,616) | (26,365,139) | (25,292,973) |
| Total capital assets, net of depreciation | \$ 12,126,413 | \$ 10,498,116 | \$ 16,574,857 | \$ 15,724,804 | \$ 28,701,270 | \$ 26,222,920 |

Additional information on the Village's capital assets can be found in Note 1j on page 26 and Note 3 on pages 31 and 32 of this report.

Long-Term Debt

Table 4 - Long-Term Debt as of May 31, 2018 and 2017

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|-------------------------------------|----------------------------|---------------------|-----------------------------|---------------------|-----------------------------|---------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| General Fund | | | | | | |
| 2012 Public Improvement Serial Bond | \$ 87,500 | \$ 202,500 | \$ - | \$ - | \$ 87,500 | \$ 202,500 |
| 2012 Public Improvement Serial Bond | 1,360,000 | 1,660,000 | - | - | 1,360,000 | 1,660,000 |
| 2014 Public Improvement Serial Bond | 445,000 | 480,000 | - | - | 445,000 | 480,000 |
| 2017 Public Improvement Serial Bond | 800,000 | - | - | - | 800,000 | - |
| Sewer Fund | | | | | | |
| 2002 Public Improvement Serial Bond | - | - | 189,000 | 246,000 | 189,000 | 246,000 |
| 2013 EFC Loan | - | - | 1,536,811 | 1,596,011 | 1,536,811 | 1,596,011 |
| Electric Fund | | | | | | |
| 2012 Public Improvement Serial Bond | - | - | 232,500 | 352,500 | 232,500 | 352,500 |
| 2014 Public Improvement Serial Bond | - | - | 2,655,000 | 2,725,000 | 2,655,000 | 2,725,000 |
| Totals | \$ 2,692,500 | \$ 2,342,500 | \$ 4,613,311 | \$ 4,919,511 | \$ 7,305,811 | \$ 7,262,011 |

At the end of the current fiscal year, the Village had total bonded debt outstanding of \$5,769,000. This entire amount comprises debt backed by the full faith and credit of the Village. Additionally, the Village is obligated under a loan payable with the New York State Environmental Facilities Corporation, totaling \$1,536,811 as of May 31, 2018. The loan is non-interest bearing, and is for the construction of the Village's new Wastewater Treatment Facility.

Incorporated Village of Greenport, New York

Management's Discussion and Analysis
May 31, 2018

Overview of the Financial Statements - Continued

Long-Term Debt - Continued

The Village maintains an "Aa3" rating from Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7% of its five-year average of the total assessed valuation. The current debt limitation for the Village is approximately \$31.8 million, which is significantly more than the Village's outstanding general obligation debt.

Additional information on the Village's long-term debt can be found in Note 4 on pages 32 and 33 of this report.

Economic Factors

The Village is growing and thriving. The Village hosts tens of thousands of tourists who vacation on Long Island's East End every summer, to visit the world-renowned Vineyards. The Village operates one of the largest public marinas on the East End of Long Island, as well as a campground and ice rink for public enjoyment which helps to drive the North Fork tourism industry. The Village is also home to the only hospital on the North Fork of Long Island. The Village has added commercial and residential properties. In the past year, however, certain assessment claims netted against these additions, resulting in a slight increase of the overall value.

Requests for Information

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the Village's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Village Treasurer, 236 Third Street, Greenport, New York 11944.

Incorporated Village of Greenport, New York

Statement of Net Position

| | May 31, 2018 | | |
|--|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 3,305,859 | \$ 3,267,713 | \$ 6,573,572 |
| Cash and cash equivalents, restricted | 857,510 | 2,523,186 | 3,380,696 |
| Investments, restricted | 2,679,830 | - | 2,679,830 |
| Receivables, net | 212,928 | 556,262 | 769,190 |
| Inventory | - | 227,821 | 227,821 |
| Prepaid expenses | 109,570 | 53,572 | 163,142 |
| Internal balances | (56,959) | 56,959 | - |
| Capital assets, net | | | |
| Non-depreciable | 4,405,241 | 22,750 | 4,427,991 |
| Depreciable | 7,721,172 | 16,552,107 | 24,273,279 |
| Total assets | 19,235,151 | 23,260,370 | 42,495,521 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension and length of service award program obligation deferrals | 621,970 | 320,893 | 942,863 |
| Total assets and deferred outflows of resources | 19,857,121 | 23,581,263 | 43,438,384 |
| LIABILITIES | | | |
| Accounts payable and other current liabilities | 734,634 | 382,649 | 1,117,283 |
| Unearned revenues | 852,532 | - | 852,532 |
| Due to NYS retirement system | 19,130 | 23,382 | 42,512 |
| Customer deposits | - | 125,542 | 125,542 |
| Long-term liabilities | | | |
| Due within one year | 380,019 | 314,700 | 694,719 |
| Due in more than one year | | | |
| Bonds payable | 2,347,500 | 2,831,500 | 5,179,000 |
| State loan payable | - | 1,477,611 | 1,477,611 |
| Compensated absences | 72,103 | 121,825 | 193,928 |
| Net pension liability | 97,020 | 118,580 | 215,600 |
| Unearned revenues | 1,296,320 | - | 1,296,320 |
| Length of service award program obligations | 4,766,750 | - | 4,766,750 |
| Other postemployment benefits | 1,586,673 | 2,548,880 | 4,135,553 |
| Total liabilities | 12,152,681 | 7,944,669 | 20,097,350 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension deferrals | 316,540 | 386,882 | 703,422 |
| Total liabilities and deferred inflows of resources | 12,469,221 | 8,331,551 | 20,800,772 |
| NET POSITION | | | |
| Net investment in capital assets | 9,398,894 | 12,020,746 | 21,419,640 |
| Restricted for | | | |
| Capital improvements | 425,947 | 2,397,644 | 2,823,591 |
| Debt service | 431,563 | - | 431,563 |
| Unrestricted (deficit) | (2,868,504) | 831,322 | (2,037,182) |
| Total net position | \$ 7,387,900 | \$ 15,249,712 | \$ 22,637,612 |

See accompanying Notes to Financial Statements.

Incorporated Village of Greenport, New York

Statement of Activities

Year Ended May 31, 2018

| Functions/Programs | Program Revenue | | | | Net (Expenses) Revenues and Changes in Net Position | | |
|--|----------------------|-------------------------|--|--|--|----------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental | Business-Type | Total |
| | | | | | Activities | Activities | |
| GOVERNMENTAL ACTIVITIES | | | | | | | |
| General government support | \$ 613,654 | \$ 1,053,093 | \$ - | \$ 32,433 | \$ 471,872 | \$ - | \$ 471,872 |
| Public safety | 1,242,772 | 819,334 | - | - | (423,438) | - | (423,438) |
| Health | 8,860 | - | - | - | (8,860) | - | (8,860) |
| Transportation | 966,802 | - | - | 205,905 | (760,897) | - | (760,897) |
| Economic opportunity and development | 52,007 | - | - | - | (52,007) | - | (52,007) |
| Culture and recreation | 1,241,270 | 1,106,778 | 290 | - | (134,202) | - | (134,202) |
| Home and community service | 1,158,029 | - | 942,839 | 62,499 | (152,691) | - | (152,691) |
| Interest on long-term debt | 60,171 | - | - | - | (60,171) | - | (60,171) |
| Total governmental activities | 5,343,565 | 2,979,205 | 943,129 | 300,837 | (1,120,394) | - | (1,120,394) |
| BUSINESS-TYPE ACTIVITIES | | | | | | | |
| Electric | 3,354,023 | 3,780,458 | - | - | - | 426,435 | 426,435 |
| Water | 362,681 | 448,513 | - | - | - | 85,832 | 85,832 |
| Sewer | 1,473,274 | 1,433,898 | - | - | - | (39,376) | (39,376) |
| Total business-type activities | 5,189,978 | 5,662,869 | - | - | - | 472,891 | 472,891 |
| Total government | \$ 10,533,543 | \$ 8,642,074 | \$ 943,129 | \$ 300,837 | (1,120,394) | 472,891 | (647,503) |
| GENERAL REVENUES | | | | | | | |
| Real property tax and related tax items | | | | | 1,046,739 | - | 1,046,739 |
| Non-property taxes | | | | | - | 26,984 | 26,984 |
| Other general revenue items | | | | | 262,062 | 22,401 | 284,463 |
| Investment and deposit earnings | | | | | 145,674 | 6,722 | 152,396 |
| State aid and mortgage taxes not restricted to specific purposes | | | | | 66,260 | - | 66,260 |
| Total general revenues | | | | | 1,520,735 | 56,107 | 1,576,842 |
| TRANSFERS AND CAPITAL CONTRIBUTIONS | | | | | | | |
| Capital contribution from business-type to governmental activities | | | | | 30,600 | (30,600) | - |
| Transfer from business-type to governmental activities | | | | | 88,000 | (88,000) | - |
| Total general revenues, transfers, and capital contributions | | | | | 1,639,335 | (62,493) | 1,576,842 |
| CHANGES IN NET POSITION | | | | | 518,941 | 410,398 | 929,339 |
| NET POSITION, beginning of year, as restated | | | | | 6,868,959 | 14,839,314 | 21,708,273 |
| NET POSITION, end of year | | | | | \$ 7,387,900 | \$ 15,249,712 | \$ 22,637,612 |

See accompanying Notes to Financial Statements.

Incorporated Village of Greenport, New York

Balance Sheet - Governmental Funds

| | May 31, 2018 | | | March 31, 2018 | Total |
|---------------------------------------|---------------------|--------------------------|---------------------|----------------------|---------------------|
| | General | Community Development | Capital Projects | Housing Authority | |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 2,499,447 | \$ 280,268 | \$ 520,865 | \$ 5,279 | \$ 3,305,859 |
| Cash and cash equivalents, restricted | 857,510 | - | - | - | 857,510 |
| Investments, restricted | 2,679,830 | - | - | - | 2,679,830 |
| Accounts receivable, net | 198,639 | 6,115 | - | 8,174 | 212,928 |
| Due from other funds | 278 | - | - | - | 278 |
| Prepaid expenditures | 109,570 | - | - | - | 109,570 |
| | \$ 6,345,274 | \$ 286,383 | \$ 520,865 | \$ 13,453 | \$ 7,165,975 |
| LIABILITIES | | | | | |
| Accounts payable and accrued expenses | \$ 392,331 | \$ 1,129 | \$ 324,863 | \$ - | \$ 718,323 |
| Due to NYS Retirement System | 19,130 | - | - | - | 19,130 |
| Due to other funds | 57,237 | - | - | - | 57,237 |
| Unearned revenue | 852,532 | - | - | - | 852,532 |
| | 1,321,230 | 1,129 | 324,863 | - | 1,647,222 |
| FUND BALANCES | | | | | |
| Nonspendable | 109,570 | - | - | - | 109,570 |
| Restricted | 3,537,340 | - | - | - | 3,537,340 |
| Assigned | - | 285,254 | 196,002 | 13,453 | 494,709 |
| Unassigned | 1,377,134 | - | - | - | 1,377,134 |
| Total fund balances | 5,024,044 | 285,254 | 196,002 | 13,453 | 5,518,753 |
| | \$ 6,345,274 | \$ 286,383 | \$ 520,865 | \$ 13,453 | \$ 7,165,975 |

See accompanying Notes to Financial Statements.

Incorporated Village of Greenport, New York

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

| | <u>May 31, 2018</u> |
|--|----------------------------|
| Total fund balances in the fund financial statements for the governmental funds | \$ 5,518,753 |
| This amount differs from the amount of net position shown in the statement of net position due to the following: | |
| Capital assets are included as assets in the government-wide statements and are added, net of accumulated depreciation. | 12,126,413 |
| Deferred outflows and inflows for pensions are included in the government-wide statements and are added: | |
| Deferred outflows - length of service award program obligations | 359,421 |
| Deferred outflows - pension resources | 262,549 |
| Deferred inflows - pension resources | (316,540) |
| Some liabilities (listed below) are not due and payable in the current period and, therefore, are not reported in the funds: | |
| Bonds payable | (2,692,500) |
| Unearned revenues | (1,323,327) |
| Net pension liability | (97,020) |
| Compensated absences | (80,115) |
| Accrued interest | (16,311) |
| Length of service award program obligations | (4,766,750) |
| Other postemployment benefits | (1,586,673) |
| Total net position, end of year | <u>\$ 7,387,900</u> |

Incorporated Village of Greenport, New York

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

| | Year Ended May 31, 2018 | | | Year Ended March 31, 2018 | Total |
|---|-------------------------|--------------------------|---------------------|---------------------------------|---------------------|
| | General | Community Development | Capital Projects | Housing Authority | |
| | General | Community Development | Capital Projects | Housing Authority | |
| REVENUES | | | | | |
| Real property taxes | \$ 1,035,743 | \$ - | \$ - | \$ - | \$ 1,035,743 |
| Real property tax items | 10,996 | - | - | - | 10,996 |
| Departmental revenues | 1,211,762 | 50,783 | - | - | 1,262,545 |
| Intergovernmental charges | 819,334 | - | - | - | 819,334 |
| Rental of real property | 897,326 | - | - | - | 897,326 |
| Use of money and property | 145,453 | 167 | 49 | 5 | 145,674 |
| Licenses and permits | 48,033 | - | - | - | 48,033 |
| Miscellaneous local sources | 1,427,256 | 1,617 | 37,915 | 3,516 | 1,470,304 |
| Other revenues | 99,775 | - | - | - | 99,775 |
| State aid | 147,165 | - | 187,499 | - | 334,664 |
| Federal aid | - | - | - | 942,839 | 942,839 |
| Total revenues | <u>5,842,843</u> | <u>52,567</u> | <u>225,463</u> | <u>946,360</u> | <u>7,067,233</u> |
| EXPENDITURES | | | | | |
| General government support | 540,684 | - | - | - | 540,684 |
| Public safety | 882,745 | - | - | - | 882,745 |
| Health | 6,968 | - | - | - | 6,968 |
| Transportation | 767,092 | - | 1,504,576 | - | 2,271,668 |
| Economic opportunity and development | - | 52,007 | - | - | 52,007 |
| Culture and recreation | 957,108 | - | 22,271 | - | 979,379 |
| Home and community service | 162,594 | - | 190,459 | 923,368 | 1,276,421 |
| Employee benefits | 685,891 | - | - | 38,768 | 724,659 |
| Debt service | | | | | |
| Principal | 450,000 | - | - | - | 450,000 |
| Interest | 52,861 | - | - | - | 52,861 |
| Total expenditures | <u>4,505,943</u> | <u>52,007</u> | <u>1,717,306</u> | <u>962,136</u> | <u>7,237,392</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,336,900</u> | <u>560</u> | <u>(1,491,843)</u> | <u>(15,776)</u> | <u>(170,159)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Serial bond proceeds | - | - | 800,000 | - | 800,000 |
| Operating transfers in | 118,600 | - | 809,610 | 16,043 | 944,253 |
| Operating transfers out | (809,610) | (16,043) | - | - | (825,653) |
| | <u>(691,010)</u> | <u>(16,043)</u> | <u>1,609,610</u> | <u>16,043</u> | <u>918,600</u> |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses | <u>645,890</u> | <u>(15,483)</u> | <u>117,767</u> | <u>267</u> | <u>748,441</u> |
| FUND BALANCES, beginning of year | <u>4,378,154</u> | <u>300,737</u> | <u>78,235</u> | <u>13,186</u> | <u>4,770,312</u> |
| FUND BALANCES, end of year | <u>\$ 5,024,044</u> | <u>\$ 285,254</u> | <u>\$ 196,002</u> | <u>\$ 13,453</u> | <u>\$ 5,518,753</u> |

See accompanying Notes to Financial Statements.

Incorporated Village of Greenport, New York

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities

| | | <u>Year Ended May 31, 2018</u> |
|--|------------------|------------------------------------|
| Net change in fund balances shown for total governmental funds | \$ | 748,441 |
| <p>This amount differs from the change in net position shown in the statement of activities because of the following:</p> | | |
| <p>Capital outlays for acquisition of capital assets are recorded in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which expenditures for acquisition of capital assets exceeded depreciation expense for the period.</p> | | |
| Capital expenditures | 2,179,030 | |
| Depreciation expense | <u>(550,733)</u> | 1,628,297 |
| <p>Net pension liability and related deferred outflows and inflows of pension resources are not reported in the governmental funds. This liability and the corresponding deferred amounts are reported in the statement of net position as a noncurrent liability and deferred resources and as an expense in the statement of activities.</p> | | |
| | | (186,349) |
| <p>Bond principal payments are shown as expenditures in the governmental funds. These payments are shown in the statement of net position as a reduction of the related liabilities, and not shown as expenses in the statement of activities. This is the payment amount for the current year.</p> | | |
| | | 450,000 |
| <p>Proceeds from the issuance of new debt are included in the statement of revenues, expenditures, and changes in fund balances as revenue, but included in the statement of net position as bonds payable.</p> | | |
| | | (800,000) |
| <p>Proceeds from a utility easement agreement are included in the statement of revenues, expenditures, and changes in fund balances as revenue, but deferred in the statement of net position as unearned revenue.</p> | | |
| | | (1,323,327) |
| <p>Net pension liability is not reported in the governmental funds. This liability is shown in the statement of net position as a noncurrent liability and in the statement of activities as an expense.</p> | | |
| | | 184,865 |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds; this is the amount by which the current period expenditures exceed the costs allocated over the applicable periods.</p> | | |
| Other postemployment benefits | (163,183) | |
| Accrued interest | (7,310) | |
| Length of service award program obligations, net of deferrals | (1,540) | |
| Compensated absence | <u>(10,953)</u> | <u>(182,986)</u> |
| Change in net position of governmental activities shown in the statement of activities | | <u>\$ 518,941</u> |

Incorporated Village of Greenport, New York

Statement of Net Position - Proprietary Funds

| | May 31, 2018 | | | | |
|--|---------------------|---------------------|---------------------|-----------------|----------------------|
| | Electric Fund | Water Fund | Sewer Fund | Eliminations | Total |
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | \$ 734,364 | \$ 891,976 | \$ 1,641,373 | \$ - | \$ 3,267,713 |
| Cash and cash equivalents, restricted | 2,337,334 | - | 185,852 | - | 2,523,186 |
| Accounts receivable, net | 298,409 | 57,992 | 199,861 | - | 556,262 |
| Due from other funds | - | 86,054 | 35,417 | (64,234) | 57,237 |
| Inventory | 125,603 | 89,437 | 12,781 | - | 227,821 |
| Prepaid expenses | 22,911 | 14,405 | 16,256 | - | 53,572 |
| Total current assets | <u>3,518,621</u> | <u>1,139,864</u> | <u>2,091,540</u> | <u>(64,234)</u> | <u>6,685,791</u> |
| Non-depreciable capital assets | 500 | - | 22,250 | - | 22,750 |
| Depreciable capital assets | 7,341,504 | 761,646 | 8,448,957 | - | 16,552,107 |
| Total assets | <u>10,860,625</u> | <u>1,901,510</u> | <u>10,562,747</u> | <u>(64,234)</u> | <u>23,260,648</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Pension deferrals | <u>204,205</u> | <u>29,172</u> | <u>87,516</u> | <u>-</u> | <u>320,893</u> |
| Total assets and deferred outflows of resources | <u>11,064,830</u> | <u>1,930,682</u> | <u>10,650,263</u> | <u>(64,234)</u> | <u>23,581,541</u> |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Accounts payable | 215,640 | 30,444 | 76,788 | - | 322,872 |
| Accrued expenses | 42,005 | 3,121 | 14,651 | - | 59,777 |
| Accrued compensated absences | 62,769 | 17,275 | 52,281 | - | 132,325 |
| Customer deposits | 125,542 | - | - | - | 125,542 |
| Due to other funds | 64,234 | 278 | - | (64,234) | 278 |
| Due to NYS Retirement System | 14,879 | 2,126 | 6,377 | - | 23,382 |
| State loan payable, due in one year | - | - | 59,200 | - | 59,200 |
| Bonds payable, due in one year | 185,000 | - | 60,000 | - | 245,000 |
| Total current liabilities | <u>710,069</u> | <u>53,244</u> | <u>269,297</u> | <u>(64,234)</u> | <u>968,376</u> |
| Noncurrent liabilities | | | | | |
| State loan payable | - | - | 1,477,611 | - | 1,477,611 |
| Net pension liability | 75,460 | 10,780 | 32,340 | - | 118,580 |
| Bonds payable | 2,702,500 | - | 129,000 | - | 2,831,500 |
| Other postemployment benefits | 1,378,518 | 248,133 | 922,229 | - | 2,548,880 |
| Total noncurrent liabilities | <u>4,156,478</u> | <u>258,913</u> | <u>2,561,180</u> | <u>-</u> | <u>6,976,571</u> |
| Total liabilities | <u>4,866,547</u> | <u>312,157</u> | <u>2,830,477</u> | <u>(64,234)</u> | <u>7,944,947</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Pension deferrals | <u>246,198</u> | <u>35,171</u> | <u>105,513</u> | <u>-</u> | <u>386,882</u> |
| Total liabilities and deferred inflows of resources | <u>5,112,745</u> | <u>347,328</u> | <u>2,935,990</u> | <u>(64,234)</u> | <u>8,331,829</u> |
| NET POSITION | | | | | |
| Net investment in capital assets | 4,454,504 | 761,646 | 6,804,596 | - | 12,020,746 |
| Restricted | | | | | |
| Capital improvements | 2,211,792 | - | 185,852 | - | 2,397,644 |
| Unrestricted | <u>(714,211)</u> | <u>821,708</u> | <u>723,825</u> | <u>-</u> | <u>831,322</u> |
| Total net position | <u>\$ 5,952,085</u> | <u>\$ 1,583,354</u> | <u>\$ 7,714,273</u> | <u>\$ -</u> | <u>\$ 15,249,712</u> |

See accompanying Notes to Financial Statements.

Incorporated Village of Greenport, New York

Statement of Revenues, Expenditures, and Changes in Net Position - Proprietary Funds

| | Year Ended May 31, 2018 | | | Total |
|---|----------------------------|----------------------------|----------------------------|-----------------------------|
| | Electric Fund | Water Fund | Sewer Fund | |
| OPERATING REVENUES | | | | |
| Charges for services | \$ 3,780,458 | \$ 448,513 | \$ 1,433,898 | \$ 5,662,869 |
| OPERATING EXPENSES | | | | |
| Personal services | 547,555 | 93,152 | 422,755 | 1,063,462 |
| Employee benefits | 557,254 | 78,432 | 375,650 | 1,011,336 |
| Contractual expenses | | | | |
| Administration and other government support | 177,908 | 4,321 | 11,023 | 193,252 |
| Insurance | 60,283 | 10,453 | 16,974 | 87,710 |
| Services, supplies, and operations | 1,624,627 | 153,669 | 348,866 | 2,127,162 |
| Depreciation | 277,319 | 22,654 | 286,921 | 586,894 |
| Total operating expenses | <u>3,244,946</u> | <u>362,681</u> | <u>1,462,189</u> | <u>5,069,816</u> |
| Operating income (loss) | <u>535,512</u> | <u>85,832</u> | <u>(28,291)</u> | <u>593,053</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Interest revenue | 1,283 | 3,057 | 2,382 | 6,722 |
| Other revenue | - | 21,101 | 1,300 | 22,401 |
| Sales tax revenues | - | - | 26,984 | 26,984 |
| Interest expense | (109,077) | - | (11,085) | (120,162) |
| Total nonoperating revenues (expenses) | <u>(107,794)</u> | <u>24,158</u> | <u>19,581</u> | <u>(64,055)</u> |
| Income (loss) before transfers and and capital contributions | <u>427,718</u> | <u>109,990</u> | <u>(8,710)</u> | <u>528,998</u> |
| TRANSFERS AND CAPITAL CONTRIBUTIONS | | | | |
| Operating transfers out | (88,000) | - | - | (88,000) |
| Capital contribution to governmental funds | - | (12,240) | (18,360) | (30,600) |
| | <u>(88,000)</u> | <u>(12,240)</u> | <u>(18,360)</u> | <u>(118,600)</u> |
| CHANGES IN NET POSITION | 339,718 | 97,750 | (27,070) | 410,398 |
| NET POSITION, <i>beginning of year</i> | <u>5,612,367</u> | <u>1,485,604</u> | <u>7,741,343</u> | <u>14,839,314</u> |
| NET POSITION, <i>end of year</i> | <u>\$ 5,952,085</u> | <u>\$ 1,583,354</u> | <u>\$ 7,714,273</u> | <u>\$ 15,249,712</u> |

Incorporated Village of Greenport, New York

Statement of Cash Flows - Proprietary Funds

| | Year Ended May 31, 2018 | | | |
|--|----------------------------|--------------------------|----------------------------|----------------------------|
| | Electric Fund | Water Fund | Sewer Fund | Total |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | | |
| Cash received from providing services | \$ 3,852,759 | \$ 469,285 | \$ 1,401,676 | \$ 5,723,720 |
| Cash payments for contractual expenses | (1,913,163) | (166,603) | (355,655) | (2,435,421) |
| Cash payments for personal services and benefits | (947,174) | (140,975) | (691,410) | (1,779,559) |
| | <u>992,422</u> | <u>161,707</u> | <u>354,611</u> | <u>1,508,740</u> |
| NET CASH PROVIDED (USED) BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Other activities | (1,939) | 21,101 | 1,300 | 20,462 |
| Sales tax revenues | - | - | 26,984 | 26,984 |
| Transfers to governmental activities | (88,000) | (12,240) | (18,360) | (118,600) |
| | <u>(89,939)</u> | <u>8,861</u> | <u>9,924</u> | <u>(71,154)</u> |
| NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Principal payments on bonds | (190,000) | - | (57,000) | (247,000) |
| Principal payments on loans | - | - | (59,200) | (59,200) |
| Interest expense | (110,138) | - | (11,927) | (122,065) |
| Acquisition of capital assets | (1,195,414) | (54,782) | (186,751) | (1,436,947) |
| | <u>(1,495,552)</u> | <u>(54,782)</u> | <u>(314,878)</u> | <u>(1,865,212)</u> |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | | | | |
| Interest income | 1,283 | 3,057 | 2,382 | 6,722 |
| | <u>1,283</u> | <u>3,057</u> | <u>2,382</u> | <u>6,722</u> |
| Net increase (decrease) in cash and cash equivalents | (591,786) | 118,843 | 52,039 | (420,904) |
| CASH AND CASH EQUIVALENTS, <i>beginning of year</i> | 3,663,484 | 773,133 | 1,775,186 | 6,211,803 |
| CASH AND CASH EQUIVALENTS, <i>end of year</i> | <u>\$ 3,071,698</u> | <u>\$ 891,976</u> | <u>\$ 1,827,225</u> | <u>\$ 5,790,899</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | | |
| Operating income (loss) | \$ 535,512 | \$ 85,832 | \$ (28,291) | \$ 593,053 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | | | | |
| Depreciation | 277,319 | 22,654 | 286,921 | 586,894 |
| Bad debt expense | - | 31,084 | 10,942 | 42,026 |
| Change in assets and liabilities | | | | |
| Prepaid expenses | (2,099) | (1,037) | (1,347) | (4,483) |
| Accounts receivable | 72,301 | (10,312) | (43,164) | 18,825 |
| Inventory | (7,244) | (17,356) | - | (24,600) |
| Due from other funds | - | 32,524 | 26,748 | 59,272 |
| Deferred outflows of resources | (60,697) | (8,671) | (26,013) | (95,381) |
| Accounts payable and accrued expenses | (15,520) | (489) | 22,408 | 6,399 |
| Due to other funds | (9,998) | (6,767) | (14,616) | (31,381) |
| Net pension liability | (143,784) | (20,540) | (61,621) | (225,945) |
| Deferred inflows of resources | 205,635 | 29,376 | 88,129 | 323,140 |
| Other postemployment benefits | 141,775 | 25,519 | 94,848 | 262,142 |
| Due to New York State retirement system | (778) | (110) | (333) | (1,221) |
| | <u>\$ 992,422</u> | <u>\$ 161,707</u> | <u>\$ 354,611</u> | <u>\$ 1,508,740</u> |

See accompanying Notes to Financial Statements.

Incorporated Village of Greenport, New York

Statement of Net Position - Fiduciary Fund

| | <u>May 31, 2018</u> |
|---------------------------|-------------------------|
| | <u>Trust and Agency</u> |
| ASSETS | |
| Cash and cash equivalents | <u>\$ 399,558</u> |
| LIABILITIES | |
| Agency liabilities | <u>\$ 399,558</u> |

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies

The accompanying basic financial statements of the Incorporated Village of Greenport, New York (Village) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) for governments. Such principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the standard-setting body for establishing government accounting and financial reporting principles in the United States of America.

The basic financial statements have been prepared primarily from accounts maintained by the Village Treasurer.

The Village is governed by Village 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 basic services that the Village provides are general support, water, sewer, electric, public safety, health, transportation, economic opportunity and development; culture and recreation; and home and community service.

a. Financial Reporting Entity

The reporting entity consists of: (a) the primary government, the Village, and (b) other organizational entities determined to be includable in the Village's financial reporting entity, based on the nature and significance of their relationship with the Village. The financial reporting entity is based on criteria set forth by GASB. These criteria include legal standing, fiscal dependency, and financial accountability. Based upon the application of these criteria, the Village of Greenport Housing Authority (Housing Authority) has been included within the reporting entity as a Special Revenue Fund. The Village Board appoints the trustees of the Housing Authority and has full financial oversight of the operations of the Housing Authority.

b. Government-Wide and Fund Financial Statements

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

The statement of net position presents the financial position of the Village at the end of its fiscal year. The statement of activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been allocated and are reported as direct program expenses of individual functions and programs. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; grants and contributions that are restricted to meeting the operational requirements of a particular function or segment; and capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Taxes and other items not included as program revenues are reported as general revenues, as required.

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

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

b. Government-Wide and Fund Financial Statements - Continued

Separate statements are provided for governmental funds, proprietary funds, and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. The Village has decided to present all governmental and proprietary funds as major based on qualitative factors.

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

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenue in the year in which they are earned. Grants, entitlements, and donations are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collected within the current period or collected within twelve months of the end of the current fiscal period. Receivables not expected to be collected within the next twelve months are offset by deferred inflows of resources. Expenditures and related liabilities are generally recorded in the accounting period the liability is incurred to the extent it is expected to be paid within the next twelve months, with the exception of items covered by GASB Interpretation 6 (GASBI 6), *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. GASBI 6 requires that expenditures and liabilities, such as debt service, compensated absences, and claims and judgments be recorded in the governmental fund statements only when they mature or become due for payment within the period. Expenditure-driven grants are recognized as revenues when the qualifying expenditures have been incurred and all other grant requirements have been met. Nonexchange grants and subsidies are recognized as expenditures when all requirements of the grant and/or subsidy have been satisfied.

In addition, New York Power Authority (NYPA) regulations require that the records for the Electric Fund be maintained in accordance with the *Uniform System of Accounts for Municipal Electric Utilities*. The financial statements of the Electric Fund are presented in a form prescribed by the Federal Energy Regulatory Commission (FERC) and NYPA. Operating revenues of the Electric Fund are determined based on customer usage and demand charged at base rates for each consumer class approved by NYPA. Purchased power costs incurred in excess of those costs included in the base rate calculation are passed on to the consumer at no profit or loss to the Electric Fund by means of a "Purchased Power Adjustment" (PPA) factor.

The Village reports the following governmental funds:

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

Community Development Fund - is used to account for community development block grants and supportive housing program funds received from the U.S. Department of Housing and Urban Development (HUD).

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

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

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

Housing Authority - is used to account for federal money received from HUD pursuant to Section 8 Programs, which enable low income families to obtain adequate housing.

Capital Projects Fund - is used to account for and report financial resources to be used for the acquisition, construction, and renovation of major capital facilities or equipment other than those financed by the proprietary funds.

The governmental fund financial statements include a reconciliation between the fund statements and the government-wide statements. Differences that make a reconciliation necessary include differing measurement focuses and bases of accounting between the statements. The statement of activities reflects the net costs of each major function of Village operations, which differs from the presentation of expenditures in the statement of revenues, expenditures, and changes in fund balances - governmental funds, which closely matches the Village's budgetary presentation.

The following are the Village's proprietary funds:

Water Fund - is self-supporting through charges to customers based on water usage.

Sewer Fund - is self-supporting through charges to customers based on sewer usage.

Electric Fund - is self-supporting through charges to customers in the Village's franchise area based on electric usage. The Electric Fund is subject to regulation by NYPA with respect to wholesale power purchased, rate structure, accounting, and other matters.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Fund - The Village maintains an agency fund which is generally used to account for assets that the Village holds on behalf of others as their agent.

d. Estimates

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

e. Cash and Cash Equivalents

Cash and cash equivalents consist of cash and time deposits, which mature no more than three months after the date purchased.

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

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

e. Cash and Cash Equivalents - Continued

The Village's investment policies are governed by State statutes and various resolutions of the Board of Trustees. Village monies must be maintained in demand accounts or certificates of deposit in a Federal Deposit Insurance Corporation (FDIC) insured commercial bank or trust company authorized to do business in New York State. Other permissible investments include obligations of the U.S. Treasury, U.S. Agencies, and New York State or its localities.

The Village is required to collateralize its cash deposits in excess of the FDIC limit. This collateral is in the form of government and government agencies' securities pledged by the bank, under a third-party trust agreement. As of May 31, 2018, the collateral was sufficient to secure the Village's deposits.

Restricted cash and cash equivalents are reserved for purposes stipulated by external parties and purposes established by the Board.

Restricted cash and cash equivalents are held by the Electric Fund for (1) capital replacements (depreciation fund), (2) transmission congestion credits, and (3) customer deposits.

Restricted cash and cash equivalents held by the Sewer Fund represent unspent proceeds from the issuance of loans payable to the New York State Environmental Facilities Corporation, used to help finance the construction of a new sewer plant.

Restricted cash and cash equivalents held by the General Fund represent (1) proceeds from the sale of property reserved for the payment of future debt, and (2) cash held for the replacement of certain fire equipment.

f. Restricted Service Award Program Investments

The Village's investments in the Length of Service Award Program (LOSAP) are held by RBC Wealth Management in a grantor/rabbi trust account in the Village's name. These assets are primarily invested in cash and cash equivalents, U.S. and international equities, and fixed income securities.

The Village's LOSAP investments are reported at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. None of the Village's investments are subject to concentration of credit risk.

g. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet and statement of net position.

h. Accounts Receivable

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. The allowance for doubtful accounts is as follows:

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

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

h. Accounts Receivable - Continued

| | |
|------------------------|-------------------|
| Electric Fund | <u>\$ 130,000</u> |
| Sewer Fund | <u>\$ 30,948</u> |
| Water Fund | <u>\$ 6,416</u> |
| Housing Authority Fund | <u>\$ 1,137</u> |

Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than twenty days. Interest is charged on accounts receivable that are outstanding for more than twenty days at 1.50% per month and is recognized as it is charged.

i. Inventory

Inventory of the Electric, Sewer and Water Funds consists of components, parts, and tools held for consumption. Inventory of the Electric Fund is valued at the lower of cost or market, with cost determined using a rolling average unit cost method. Inventory materials recovered and returned to stock in construction, maintenance, or the retirement of operating property are valued at current replacement prices. Inventory of the Sewer and Water Funds is stated at the lower of average cost or market. Each year, the inventory is reviewed for obsolescence, and an adjustment is made to record the affected inventory item at its fair value. There were no obsolete inventory items identified in these funds as of May 31, 2018.

Inventory of governmental funds are recorded as expenditures when purchased rather than when consumed.

j. Capital Assets

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the operating property.

Management periodically reviews long-lived assets for impairment to determine whether any events or circumstances indicate the carrying value of the assets may not be recoverable. No impairment was identified in 2018.

Governmental Activities and Funds

Capital assets in governmental activities consist of land, buildings, machinery and equipment, vehicles, and infrastructure with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year and are used to carry out day-to-day government services. Depreciation of capital assets for governmental funds is computed using the straight-line method of depreciation over useful lives ranging from five to fifty years. Capital outlays for the acquisition of capital assets are recorded in governmental funds as expenditures.

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

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

j. Capital Assets - Continued

Electric Fund

Capital assets of the Electric Fund include buildings, vehicles, and transmission, and other operational equipment. Under the provisions of the *Uniform System of Accounts for Municipal Electric Utilities*, operating property is recorded at cost, including capitalized labor and overhead. Overhead costs include fringe benefits, warehouse, and truck costs. Operating property constructed with capital fees received from customers or other parties is included in utility plant. When operating property is retired, the book cost, together with the cost of removal, is charged to accumulated depreciation. The provision for depreciation has been computed, based on asset groups, under the straight-line method utilizing rates that vary from 2% to 10.5% per annum, which are within the ranges recommended by FERC and NYPA.

Water and Sewer Funds

Capital assets of the Water and Sewer Funds include land, buildings, machinery and equipment, vehicles, and distribution, transmission, and other operational equipment with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Depreciation of capital assets of the Water and Sewer Funds is computed using the straight-line method of depreciation during the useful lives of the related assets, as the following schedule indicates:

Water Fund

| | |
|---|--------------|
| Machinery and equipment | 5-15 years |
| Vehicles | 5 years |
| Distribution, transmission, and other operational equipment | 20-100 years |

Sewer Fund

| | |
|---|--------------|
| Buildings | 25-40 years |
| Machinery and equipment | 10-25 years |
| Vehicles | 5 years |
| Distribution, transmission, and other operational equipment | 50-100 years |

k. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of resources that applies to a future period and will not be recognized as an outflow of expense/expenditure until then. A deferred inflow of resources represents an acquisition of resources that applies to a future period and will not be recognized as revenue until that time.

Pension and LOSAP related deferred outflows of resources and deferred inflows of resources are disclosed in Notes 8 and 10, respectively.

l. Unearned Revenues

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

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

l. Unearned Revenues - Continued

Unearned revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The Village has reported \$140,948 for property tax payments received in advance, \$253,514 for unpaid Village taxes and charges for services, \$439,495 for fire protection services to other governments received in advance, and \$18,575 for building permit fees received in advance.

Unearned revenues in the government-wide financial statements consist of amounts received in advance and/or amounts from grants received before the eligibility requirements have been met. The unearned revenues described above for the fund financial statements are also unearned revenues in the government-wide financial statements. In addition, during 2018, the Village and the Long Island Power Authority (LIPA) entered into a utility easement agreement. Pursuant to the agreement, the Village granted LIPA the rights to operate an underground electric line within Village limits. In exchange, the Village received a licensing fee totaling \$1,350,333. The agreement became effective in June 2017 and expires in June 2067. Accordingly, during the year ended May 31, 2018, the Village recognized revenues of \$1,350,333 and \$27,007 related to the agreement in the fund financial statements and the government-wide financial statements, respectively. Unearned revenues related to the agreement in the government-wide financial statements total \$1,323,327 at May 31, 2018.

m. Employee Benefits

Compensated Absences

Vacation 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.

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Upon retirement, resignation, or death, employees or their beneficiaries may be eligible to receive the value of unused accumulated sick leave.

The liability for compensated absences was as follows:

| | |
|--------------------|-------------------|
| Governmental funds | \$ 80,115 |
| Proprietary funds | <u>132,325</u> |
| | <u>\$ 212,440</u> |

Postretirement Benefits

Other postemployment benefits are measured and disclosed using the alternative measurement method under the accrual basis of accounting in the government-wide statements (Note 9). The Village provides health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if Village employees are eligible for these benefits if they reach normal retirement age while working for the Village. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The Village recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the respective fund when paid. Retiree health insurance contributions are allocated and paid based on each fund's payroll as a percentage of total payroll.

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

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

m. Employee Benefits - Continued

Net Pension Liability

The net pension liability represents the Village's proportionate share of the net pension liability of the New York State and Local Employees' Retirement System, as further discussed in Note 8. The Village reports its proportionate share of the net pension liability, deferred outflows and inflows of resources, and related expenses on the accrual basis of accounting in the government-wide financial statements.

LOSAP Obligations

The Village sponsors a separate LOSAP plan for volunteer firefighters, as further discussed in Note 10. LOSAP obligations are actuarially determined and reported on the accrual basis of accounting in the government-wide statement of net position.

n. Net Position

Net position is reported as restricted when constraints placed on net position use are either:

- a. Externally imposed by creditors (such as debt covenants), grantors, contributors, laws, or regulations of other governments, or
- b. Imposed by law through constitutional provisions or enabling legislation.

The following terms are used in reporting net position:

Net Investment in Capital Assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted for Capital Improvements consists of monies restricted for various capital purposes as outlined in footnote 1e.

Restricted for Debt Service consists of proceeds from the sale of property restricted for the payment of future debt.

Unrestricted is the net amount of assets and liabilities that is not included in the determination of net investment in capital assets or restricted components of net position described above.

o. Fund Balance

Fund balance for governmental funds is reported in the following classifications which describe the relative strength of the constraints that control how specific amounts in the funds can be spent:

Nonspendable - Amounts that cannot be spent because they are either (a) not in spendable form, or (b) are legally or contractually required to be maintained intact.

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

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

o. Fund Balance - Continued

Restricted - Amounts that have restraints that are either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action, such as legislation, resolution, or ordinance by the government's highest level of decision-making authority.

Assigned - Amounts that are constrained only by the government's intent to be used for a specified purpose but are not restricted or committed in any manner.

Unassigned - The residual amount in the General Fund after all of the other classifications have been established. In a Special Revenue Fund, if expenditures and other financing uses exceed the amounts restricted, committed, or assigned for those purposes, then a negative unassigned fund balance will occur.

The Village's fund balance policy is set by the Village Board, the highest level of decision-making authority. The Village Board considers "formal action" for a committed fund balance to be the passing of a Board resolution. The Board has delegated the ability to assign fund balance to the Treasurer. The Village considers fund balance spent in the order of restricted, committed, assigned, and unassigned.

Note 5 provides further details regarding the Village's fund balance classifications.

p. Property Taxes

Real property taxes are levied no later than May 15 and become a lien on June 1. 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, and an additional 1% is assessed each month on taxes paid after July. Unpaid Village taxes are collected through tax sales.

q. New Accounting Pronouncements

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB Statement No. 73). The requirements of this statement extend the approach to accounting and financial reporting established in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB Statement No. 68) to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in GASB Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by GASB Statement No. 68 be included in the notes to financial statements and required supplementary information by all similarly situated employers and non-employer contributing entities.

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

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

q. *New Accounting Pronouncements - Continued*

The requirements of this statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of GASB Statement No. 68 were adopted by the Village for the period ending May 31, 2018. The requirements of GASB Statement No. 73 that address financial reporting for assets accumulated for purposes of providing those pensions were adopted by the Village for the period ended May 31, 2017.

To comply with the provisions of GASB Statement No. 73, the Village has restated its opening net position as follows:

| | <u>As Originally Stated</u> | <u>Adoption of GASB 73</u> | <u>As Restated</u> |
|---|---------------------------------|--------------------------------|--------------------|
| Length of service award program obligations | \$ 3,539,278 | \$ 866,511 | \$ 4,405,789 |
| Net position | \$ 7,735,470 | \$ 866,511 | \$ 6,868,959 |

r. *Subsequent Events*

The Village has evaluated subsequent events for potential recognition or disclosure through December 17, 2018, the date the financial statements were available to be issued.

Note 2 - Stewardship, Compliance, and Accountability

Village administration prepares a proposed budget for approval by the Board of Trustees for each governmental and proprietary fund. The budget is adopted annually on a basis consistent with U.S. GAAP. Appropriations are adopted at the program line item level. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year and any appropriated reserve funds. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the fiscal year end. 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.

Budgets are adopted on the modified accrual basis as required by the State of New York. Annual appropriated budgets are adopted for each governmental and proprietary fund. The Village employs the following budgetary procedures:

No later than March 20, the budget officer submits a tentative budget to the Village Clerk for the fiscal year commencing the following June 1. The tentative budget includes proposed expenditures and the proposed means of financing for all operating funds for the Village.

- i. After a public hearing is conducted to obtain taxpayer comments, but no later than May 1, the Village adopts the budget.
- ii. All revisions that alter appropriations of any department or fund must be approved by the Village Board. Unencumbered budgetary appropriations lapse at the close of each fiscal year, with the exception of capital projects.

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

Note 2 - Stewardship, Compliance, and Accountability - Continued

- iii. Budgetary appropriations are established for individual capital projects through resolutions authorizing the corresponding Capital Projects Fund to be established which remain in effect for the life of the project.

Note 3 - Capital Assets

The following is a summary of changes in the governmental activities' capital assets during the year:

| | Balance at June 1, 2017 | Additions | Disposals | Balance at May 31, 2018 |
|-------------------------------|-------------------------------|---------------------|-----------------|-------------------------------|
| <i>Depreciable assets</i> | | | | |
| Buildings | \$ 4,744,054 | \$ 59,896 | \$ - | \$ 4,803,950 |
| Machinery and equipment | 7,838,133 | 202,804 | - | 8,040,937 |
| Infrastructure | 7,055,689 | 193,673 | - | 7,249,362 |
| Vehicles | 1,581,662 | 5,351 | (65,461) | 1,521,552 |
| | <u>21,219,538</u> | <u>461,724</u> | <u>(65,461)</u> | <u>21,615,801</u> |
| Accumulated depreciation | (13,409,357) | (550,733) | 65,461 | (13,894,629) |
| Total depreciable assets, net | <u>7,810,181</u> | <u>(89,009)</u> | <u>-</u> | <u>7,721,172</u> |
| <i>Non-depreciable assets</i> | | | | |
| Land | 2,687,935 | - | - | 2,687,935 |
| Construction in-progress | - | 1,717,306 | - | 1,717,306 |
| Total non-depreciable assets | <u>2,687,935</u> | <u>1,717,306</u> | <u>-</u> | <u>4,405,241</u> |
| Total capital assets, net | <u>\$ 10,498,116</u> | <u>\$ 1,628,297</u> | <u>\$ -</u> | <u>\$ 12,126,413</u> |

A summary of the proprietary funds' capital assets is as follows:

| | Year Ended May 31, 2018 | | | Total |
|--|-------------------------|-------------------|---------------------|----------------------|
| | Electric Fund | Water Fund | Sewer Fund | |
| <i>Depreciable assets</i> | | | | |
| Buildings | \$ 546,770 | \$ - | \$ 1,084,385 | \$ 1,631,155 |
| Machinery and equipment | - | 587,154 | 4,093,575 | 4,680,729 |
| Vehicles | 533,790 | 105,021 | 51,085 | 689,896 |
| Distribution, transmission, and other operational equipment | 11,963,633 | 838,062 | 9,219,142 | 22,020,837 |
| | <u>13,044,193</u> | <u>1,530,237</u> | <u>14,448,187</u> | <u>29,022,617</u> |
| Accumulated depreciation | (5,702,689) | (768,591) | (5,999,230) | (12,470,510) |
| Total depreciable assets, net | <u>7,341,504</u> | <u>761,646</u> | <u>8,448,957</u> | <u>16,552,107</u> |
| <i>Non-depreciable assets</i> | | | | |
| Land | 500 | - | 22,250 | 22,750 |
| Total capital assets, net | <u>\$ 7,342,004</u> | <u>\$ 761,646</u> | <u>\$ 8,471,207</u> | <u>\$ 16,574,857</u> |

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

Note 3 - Capital Assets - Continued

The following is a summary of changes in the proprietary funds' capital assets during the year:

| | Balance at June 1, 2017 | Additions | Retirements or Disposals | Balance at May 31, 2018 |
|--|-------------------------------|-------------------|-----------------------------|-------------------------------|
| <i>Depreciable assets</i> | | | | |
| Buildings | \$ 1,617,130 | \$ 14,025 | \$ - | \$ 1,631,155 |
| Machinery and equipment | 4,538,931 | 141,798 | - | 4,680,729 |
| Vehicles | 652,525 | 37,371 | - | 689,896 |
| Distribution, transmission, and other operational equipment | <u>20,777,084</u> | <u>1,243,753</u> | - | <u>22,020,837</u> |
| | 27,585,670 | 1,436,947 | - | 29,022,617 |
| Accumulated depreciation | <u>(11,883,616)</u> | <u>(586,894)</u> | - | <u>(12,470,510)</u> |
| Total depreciable assets, net | 15,702,054 | 850,053 | - | 16,552,107 |
| <i>Non-depreciable assets</i> | | | | |
| Land | <u>22,750</u> | - | - | <u>22,750</u> |
| Total capital assets, net | <u>\$ 15,724,804</u> | <u>\$ 850,053</u> | <u>\$ -</u> | <u>\$ 16,574,857</u> |

Note 4 - Bonds and State Loan Payable

A summary of changes in bonds payable is as follows:

| | May 31, 2018 | | | Total |
|-----------------------------|---------------------|-------------------|---------------------|---------------------|
| | General Fund | Sewer Fund | Electric Fund | |
| Bonds payable, June 1, 2017 | \$ 2,342,500 | \$ 246,000 | \$ 3,077,500 | \$ 5,666,000 |
| Issuance | 800,000 | - | - | 800,000 |
| Repayments | <u>(450,000)</u> | <u>(57,000)</u> | <u>(190,000)</u> | <u>(697,000)</u> |
| Bonds payable, May 31, 2018 | <u>\$ 2,692,500</u> | <u>\$ 189,000</u> | <u>\$ 2,887,500</u> | <u>\$ 5,769,000</u> |

A summary of changes in the state loan payable is as follows:

| | June 1, 2017 | Issuances | Repayments | May 31, 2018 |
|-----------------------|---------------------|-------------|--------------------|---------------------|
| EFC Loan - Sewer Fund | <u>\$ 1,596,011</u> | <u>\$ -</u> | <u>\$ (59,200)</u> | <u>\$ 1,536,811</u> |

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

Note 4 - Bonds and State Loan Payable - Continued

A summary of the Village's bond and loan issues at May 31, 2018 is as follows:

| Description | Issue Date | Maturity Date | Interest Rate | Balance |
|-------------------------------------|------------|---------------|------------------|---------------------|
| General Fund | | | | |
| 2012 Public Improvement Serial Bond | 6/2012 | 8/2020 | 2.000% to 2.250% | \$ 87,500 |
| 2012 Public Improvement Serial Bond | 6/2012 | 8/2023 | 2.000% to 2.750% | 1,360,000 |
| 2014 Public Improvement Serial Bond | 1/2014 | 4/2042 | 2.250% to 4.250% | 445,000 |
| 2017 Public Improvement Serial Bond | 8/2017 | 8/2027 | 2.125% to 2.750% | 800,000 |
| | | | | <u>2,692,500</u> |
| Sewer Fund | | | | |
| EFC Loan Payable | 12/2013 | 12/2043 | 0.000% | 1,536,811 |
| 2002 Public Improvement Serial Bond | 8/2002 | 9/2020 | 1.930% to 5.220% | 189,000 |
| | | | | <u>1,725,811</u> |
| Electric Fund | | | | |
| 2012 Public Improvement Serial Bond | 6/2012 | 8/2019 | 2.000% to 2.125% | 232,500 |
| 2014 Public Improvement Serial Bond | 1/2014 | 4/2042 | 2.250% to 4.250% | 2,655,000 |
| | | | | <u>2,887,500</u> |
| Total bonds and state loans payable | | | | <u>\$ 7,305,811</u> |

Interest expense on General Fund debt was \$52,861 for the year ended May 31, 2018. Interest expense on Electric Fund and Sewer Fund debt was \$109,077 and \$11,085, respectively, for the year ended May 31, 2018.

The Village's debt limit is approximately \$31.8 million, of which the Village has total outstanding debt obligations of approximately \$5.8 million, leaving a net debt contracting margin of approximately \$26 million.

The following is a summary of the future debt service requirements:

| | Bond Principal | EFC Loan Principal | Bond Interest | Total |
|-----------------------------|---------------------|-----------------------|---------------------|---------------------|
| For the year ending May 31, | | | | |
| 2019 | \$ 590,000 | \$ 59,200 | \$ 184,244 | \$ 833,444 |
| 2020 | 613,000 | 59,200 | 160,206 | 832,406 |
| 2021 | 506,000 | 59,200 | 145,744 | 710,944 |
| 2022 | 425,000 | 59,200 | 133,762 | 617,962 |
| 2023 | 440,000 | 59,200 | 123,000 | 622,200 |
| 2024 through 2028 | 1,335,000 | 296,000 | 477,173 | 2,108,173 |
| 2029 through 2033 | 565,000 | 296,000 | 324,219 | 1,185,219 |
| 2034 through 2038 | 660,000 | 296,000 | 204,966 | 1,160,966 |
| 2039 through 2043 | 635,000 | 296,000 | 55,356 | 986,356 |
| 2044 through 2045 | - | 56,811 | - | 56,811 |
| | <u>\$ 5,769,000</u> | <u>\$ 1,536,811</u> | <u>\$ 1,808,670</u> | <u>\$ 9,114,481</u> |

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

Note 5 - Fund Balance

Fund balance is as follows:

| | General | Community Development | Capital Projects | Housing Authority |
|----------------------------------|---------------------|--------------------------|---------------------|----------------------|
| Restricted | | | | |
| Nonspendable | | | | |
| Prepaid expenses | \$ 109,570 | \$ - | \$ - | \$ - |
| Restricted for | | | | |
| Capital reserve | 431,563 | - | - | - |
| Length of service program awards | 2,679,830 | - | - | - |
| Reserve for debt | 425,947 | - | - | - |
| | <u>3,646,910</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Unrestricted | | | | |
| Assigned for | | | | |
| Capital purposes | - | - | 196,002 | - |
| Special revenue purposes | - | 285,254 | - | 13,453 |
| Unassigned | 1,377,134 | - | - | - |
| | <u>1,377,134</u> | <u>285,254</u> | <u>196,002</u> | <u>13,453</u> |
| Total fund balance | <u>\$ 5,024,044</u> | <u>\$ 285,254</u> | <u>\$ 196,002</u> | <u>\$ 13,453</u> |

Note 6 - Interfund Transactions

Interfund balances are as follows at May 31, 2018:

| Due To Other Funds | Due From Other Funds | | | | | Net Governmental and Business- Type Activities |
|--------------------------------|----------------------------|--------------------------|------------------|--------------------|--------------------------------------|--|
| | Governmental Activities | Business-Type Activities | | | | |
| | General | Water | Sewer | Eliminations | Total Business-Type Activities | |
| General | \$ - | \$ 21,820 | \$ 35,417 | \$ - | \$ 57,237 | \$ 57,237 |
| Electric | - | 64,234 | - | (64,234) | - | - |
| Water | 278 | - | - | - | - | 278 |
| Total business-type activities | <u>278</u> | <u>64,234</u> | <u>-</u> | <u>(64,234)</u> | <u>-</u> | <u>278</u> |
| Total | <u>\$ 278</u> | <u>\$ 86,054</u> | <u>\$ 35,417</u> | <u>\$ (64,234)</u> | <u>\$ 57,237</u> | <u>\$ 57,515</u> |

Note 7 - Changes in Long-Term Liabilities

The following tables summarize changes in long-term liabilities for both governmental activities and business-type activities:

Change in long-term liabilities - governmental activities:

| Description | Beginning Balance (Restated) | Additions | Deletions | Ending Balance | Due Within One Year |
|---|------------------------------------|---------------------|---------------------|----------------------|------------------------|
| Compensated absences | \$ 69,162 | \$ 17,869 | \$ 6,916 | \$ 80,115 | \$ 8,012 |
| Other postemployment benefits | 1,423,490 | 289,922 | 126,739 | 1,586,673 | - |
| Net pension liability | 281,885 | - | 184,865 | 97,020 | - |
| Unearned revenues | - | 1,350,334 | 27,007 | 1,323,327 | 27,007 |
| Length of service award program obligations | 4,405,789 | 583,081 | 222,120 | 4,766,750 | - |
| Bonds payable | 2,342,500 | 800,000 | 450,000 | 2,692,500 | 345,000 |
| Total | <u>\$ 8,522,826</u> | <u>\$ 3,041,206</u> | <u>\$ 1,017,647</u> | <u>\$ 10,546,385</u> | <u>\$ 380,019</u> |

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

Note 7 - Changes in Long-Term Liabilities - Continued

Change in long-term liabilities - business type activities:

| Description | Beginning Balance | Additions | Deletions | Ending Balance | Due Within One Year |
|-------------------------------|----------------------|-------------------|-------------------|---------------------|------------------------|
| Compensated absences | \$ 105,134 | \$ 37,691 | \$ 10,500 | \$ 132,325 | \$ 10,500 |
| Other postemployment benefits | 2,286,738 | 465,740 | 203,598 | 2,548,880 | - |
| Net pension liability | 344,525 | - | 225,945 | 118,580 | - |
| State loan payable | 1,596,011 | - | 59,200 | 1,536,811 | 59,200 |
| Bonds payable | 3,323,500 | - | 247,000 | 3,076,500 | 245,000 |
| Total | \$ 7,655,908 | \$ 503,431 | \$ 746,243 | \$ 7,413,096 | \$ 314,700 |

Note 8 - New York State Retirement System

a. Plan Description

The Village participates in the New York State and Local Employees' Retirement System (System). The System is a cost-sharing, multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System.

The Comptroller adopts and may amend rules and regulations for the administration and transaction of the business of the System for the custody and control of its funds. The System issues publicly available financial reports that include financial statements and required supplementary information. These reports may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

b. Plan Benefits

The System provides retirement benefits as well as death and disability benefits. Retirement benefits are established by the New York State Retirement and Social Security Law (RSSL) and are dependent upon the point in time at which the employees last joined the System. The RSSL has established distinct classes of membership. The System uses a tier concept to distinguish these groups, as follows:

- Tier 1 - Those persons who last became members before July 1, 1973.
- Tier 2 - Those persons who last became members on or after July 1, 1973, but before July 27, 1976.
- Tier 3 - Generally, those persons who are State correction officers who last became members on or after July 27, 1976, but before January 1, 2010, and all others who last became members on or after July 27, 1976, but before September 1, 1983.
- Tier 4 - Generally, except for correction officers, those persons who last became members on or after September 1, 1983, but before January 1, 2010.
- Tier 5 - Those persons who last became members on or after January 1, 2010, but before April 1, 2012.
- Tier 6 - Those persons who first became members on or after April 1, 2012.

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

Note 8 - New York State Retirement System - Continued

b. Plan Benefits - Continued

Generally, members of the System may retire at age 55; however, members of Tiers 2, 3, and 4 will receive a reduced benefit if they retire before age 62 with less than 30 years of service. Tier 5 members must be 62 years of age with at least 10 years of service credit to retire with full benefits. The full benefit age for Tier 6 is 63. Tier 6 members with 10 years of service or more can retire as early as age 55 with reduced benefits. A member with less than five years of service may withdraw and obtain a refund, including interest, of the accumulated employee contributions. Members who joined the System prior to January 1, 2010 generally need five years of service to be 100 percent vested. Members who joined on or after January 1, 2010 need 10 years of service credit to be 100 percent vested.

Typically, the benefit for members in all Tiers is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a Tier 1 or Tier 2 member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. If a Tier 3, 4, or 5 member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a Tier 3, 4, or 5 member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Final average salary for Tiers 1 through 5 is the average of the wages earned in the three highest consecutive years of employment. Each year used in the final average salary calculation is limited to no more than 20 percent of the previous year (Tier 1) or no more than 20 percent of the average of the previous two years (Tier 2). For Tier 3, 4, and 5 members, each year used in the final average salary calculation is limited to no more than 10 percent of the average of the previous two years. The benefit for Tier 6 members who retire with 20 years of service is 1.75 percent of final average salary for each year of service. If a Tier 6 member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied to each year of service over 20 years. The final average salary for a Tier 6 member is computed as the average of the wages earned in the five highest consecutive years. Each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

An automatic postemployment benefit is provided annually to pensioners who have attained age 62 and have been retired for five years; to pensioners who have attained age 55 and have been retired for ten years; to all disability pensioners, regardless of age, who have been retired for five years; an accidental death benefit, regardless of age, who have been receiving such benefit for five years; and the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or greater than 3 percent.

c. Funding Policy

Employee contribution requirements depend upon the point in time at which an employee last joined the System. Most Tier 1 and Tier 2 members are not required to make employee contributions. Employees in Tiers 3, 4, and 5 are required to contribute 3 percent of their salary, however, as a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees who have ten or more years of membership or credited service within the System are not required to contribute. The Tier 6 contribution rate varies from 3 percent to 6 percent depending on salary. Tiers 5 and 6 members are required to contribute for all years of service. Members cannot be required to begin contributing or to make increased contributions beyond what was required when their memberships began.

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

Note 8 - New York State Retirement System - Continued

c. Funding Policy - Continued

Participating employers are required under the RSSL to contribute to the System at an actuarially determined rate adopted annually by the Comptroller. The average contribution rate for the fiscal year ended March 31, 2017 was approximately 18.2 percent of payroll.

The Village's contribution for the current year was \$268,408 and was equal to 100% of the contributions required for the year.

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

At May 31, 2018, the Village reported a total liability of \$215,600 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of March 31, 2018, and the total pension liability was determined by an actuarial valuation as of April 1, 2017. The Village's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to the System's total actuarially determined employer contribution for the fiscal year ended on the measurement date.

At the March 31, 2018, measurement date, the Village's proportionate share in the System was 0.0066802%.

For the year ended May 31, 2018, the Village recognized pension expense of \$211,736. At May 31, 2018, the Village reported deferred outflows of resources and deferred inflows of resources as follows:

| | Governmental Activities | |
|---|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 34,604 | \$ 28,595 |
| Changes of assumptions | 64,332 | - |
| Net differences between projected and actual investment earnings on pension plan investments | 140,914 | 278,150 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 3,569 | 9,795 |
| Pension contributions subsequent to the measurement date | 19,130 | - |
| Total | \$ 262,549 | \$ 316,540 |

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

Note 8 - New York State Retirement System - Continued

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

| | Business-Type Activities | |
|---|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 42,294 | \$ 34,950 |
| Changes of assumptions | 78,629 | - |
| Net differences between projected and actual investment earnings on pension plan investments | 172,229 | 339,962 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 4,362 | 11,970 |
| Pension contributions subsequent to the measurement date | 23,379 | - |
| Total | \$ 320,893 | \$ 386,882 |

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending May 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | Governmental Activities | Business Type-Activities | Total |
|---------------------|----------------------------|-----------------------------|--------------|
| Year ending May 31, | | | |
| 2019 | \$ 17,888 | \$ 21,864 | \$ 39,752 |
| 2020 | 14,204 | 17,361 | 31,565 |
| 2021 | (71,674) | (87,602) | (159,276) |
| 2022 | (33,539) | (40,991) | (74,530) |
| Total | \$ (73,121) | \$ (89,368) | \$ (162,489) |

Actuarial Assumptions

The total pension liability at March 31, 2018 was determined by using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to March 31, 2018. Significant actuarial assumptions used in the valuation were as follows:

| | |
|---------------------------|---|
| Actuarial Cost Method | Entry age normal |
| Inflation Rate | 2.50% |
| Salary Scale | 3.80%, indexed by service |
| Investment rate of return | 7.0% compounded annually, net of investment expenses |
| Decrement | Developed from the Plan's 2010 experience study for the period April 1, 2011 through March 31, 2015 |
| Mortality improvement | Society of Actuaries Scale MP-2014 |

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

Note 8 - New York State Retirement System - Continued

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

Actuarial Assumptions - Continued

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

Actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

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

Investment Asset Allocation

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of the applicable valuation dates are summarized as follows:

| Asset Type | Target Allocation | Long-Term Expected Real Rate |
|----------------------------|-------------------|------------------------------|
| Domestic equity | 36.00% | 4.55% |
| International equity | 14.00% | 6.36% |
| Private equity | 10.00% | 7.75% |
| Real estate | 10.00% | 5.80% |
| Absolute return strategies | 2.00% | 4.00% |
| Opportunistic portfolio | 3.00% | 5.89% |
| Real assets | 3.00% | 5.54% |
| Bonds and mortgages | 17.00% | 1.31% |
| Cash | 1.00% | -0.25% |
| Inflation-Indexed bonds | 4.00% | 1.50% |
| | 100.00% | |

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

Note 8 - New York State Retirement System - Continued

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

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

The following presents the Village's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Village's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

| | 1% Decrease (6.0%) | Current Discount (7.0%) | 1% Increase (8.0%) |
|--|-----------------------|-------------------------------|-----------------------|
| Village's proportionate share of the net pension liability (asset) | \$ 1,631,291 | \$ 215,600 | \$ (982,017) |
| Proprietary activities | \$ 897,210 | \$ 118,580 | \$ (540,109) |
| Governmental activities | 734,081 | 97,020 | (441,908) |
| | \$ 1,631,291 | \$ 215,600 | \$ (982,017) |

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2018 were as follows (amounts in thousands):

| | |
|--|----------------|
| Employers' total pension liability | \$ 183,400,590 |
| Plan net position | (180,173,145) |
| Employers' net pension liability | \$ 3,227,445 |
| Ratio of plan net position to the employers' total pension liability | 98.24% |

Note 9 - Other Postemployment Benefits (OPEB)

Plan Overview

The Village provides certain health benefits subsequent to employment for eligible retirees. Effective March 30, 2007, the service requirement for a receipt of health insurance in retirement is five consecutive years of service with the Village (ten years for all employees hired on or after March 30, 2007), and the employee must either: 1) continue to be employed by the Village on the last date immediately prior to retirement into the Plan; or 2) have been employed by the Village as his/her last public sector employer, and have continuously self-paid his/her health insurance premiums to, and remained enrolled in the Village's health insurance plan between the last date of service with the Village and the date of vesting receipt of benefits from the Plan, whichever is applicable, as set forth in the Plan Rules and Regulations (Part 256).

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

Note 9 - Other Postemployment Benefits (OPEB) - Continued

Plan Overview - Continued

| | Number of Subscribers |
|----------|--------------------------|
| Active | 30 |
| Retired | 19 |
| Deceased | 2 |
| Total | 51 |

Contributions

The Village has agreed to contribute a payment of 50% for individual coverage and 35% for family coverage, toward all retirees' hospitalization insurance premium costs for eligible retirees. The Village contributes 100% of the premium payments for individual or family coverage for all employees covered by Article III(4)(b) during the employee's retirement.

Funding Policy

The contribution requirements of plan members and the Village are established and may be amended by the Village Board. The Village is not required to fund the plan other than the pay-as-you-go amount necessary to provide current benefits to retirees. For the fiscal year ended May 31, 2018, the Village paid approximately \$308,800 on behalf of the plan members.

Annual OPEB Cost and Net OPEB Obligation

The annual required contribution (ARC) represents a level of funding, that if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. Amounts "required" but not actually set aside to pay for these benefits are accumulated with interest as part of the net OPEB obligation, after adjusting for amounts previously "required." The Village's actual OPEB cost for the year, the amount actually paid on behalf of the plan, and changes in the Village's OPEB obligation to the plan for the year ended May 31, 2018, are as follows:

| | |
|--|--------------|
| Annual required contribution (ARC) | \$ 778,628 |
| Interest on net OPEB obligation (NOO) | 55,231 |
| Adjustment to ARC | (78,197) |
| Annual OPEB cost | 755,662 |
| Contributions made | (330,337) |
| Increase | 425,325 |
| NOO at beginning of year | 3,710,228 |
| NOO at end of year | \$ 4,135,553 |
| Actuarial accrued liability as of May 31, 2016 | \$ 6,879,536 |
| Funded OPEB plan assets | - |
| Unfunded actuarial accrued liability (UAAL) | \$ 6,879,536 |
| Funded ratio | 0% |
| Covered payroll | \$ 1,739,854 |
| UAAL as a percentage of covered payroll | 395.41% |

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

Note 9 - Other Postemployment Benefits (OPEB) - Continued

Actuarial Methods and Assumptions

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projects utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations of the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective. Certain actuarial methods and assumptions used in the OPEB plan are as follows:

| <u>Assumptions</u> | <u>Factor</u> |
|-------------------------------|---|
| Age adjusted factor | 1.525 |
| Average retirement age | 63 |
| Future contribution strategy | Remain a level % of the total cost over time |
| Community rating | No |
| Actuarial cost method | Entry age |
| Amortization method | Level of percent of payroll amortization |
| Assets backing OPEB liability | None |
| Employer asset return | 0.00% |
| Discount rate | 2.50% |
| Projected salary increases | 2.10% |
| Amortization period | 30 |
| Participant percent | 100.00% |
| UAL and ARC | Calculated using the alternative measurement method in accordance with GASB methodology |
| Mortality table | RP2000 mortality table or males and females projected ten years |
| Turnover assumption | Standard turnover assumptions - GASB 45 paragraph 35b |

The actuarial assumptions used to establish retiree contribution rates include trend rates of annual healthcare costs of 8.0% for both medical and pharmacy, 3.5% for dental, and 3.0% for vision for the first fiscal year in the valuation, declining each year to an ultimate trend rate of 4.7% for both medical and pharmacy and 3.0% for dental and vision.

Note 10 - Volunteer Firefighter Service Award Program

The Village sponsors, and is the program administrator, for a volunteer firefighter service awards program for the Village of Greenport Fire Department. The Village's financial statements are for the year ended May 31, 2018. However, the information maintained in this note is based on information for the Length of Service Awards Program for the plan year ended December 31, 2017. The actuarial calculations are as of January 1, 2017, using the beginning of the year valuation method.

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

Note 10 - Volunteer Firefighter Service Award Program - Continued

Length of Service Awards Program (LOSAP)

A defined benefit service awards program for the active members of the Village of Greenport Fire Department was established effective January 1, 1994. 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 firefighters to facilitate the recruitment and retention of active volunteer firefighters. The LOSAP is a single employer defined benefit plan established as a grantor/rabbi trust and, as such, the assets are subject to the claims of the Village's general creditors.

The Village accounts for LOSAP assets as restricted investments in the General Fund. Benefit payments are recognized as an expenditure within the General Fund at the time they are due and payable. LOSAP contributions represent the reclassification of unrestricted General Fund assets to the rabbi/grantor trust (restricted investments). See Note 12 for fair value measurement disclosures on the LOSAP assets.

Defined Benefit Program Description

a. Participation, Vesting, and Service Credit

Active volunteer firefighters who have reached the age of 18 and who have completed one year of firefighting service are eligible to participate in the program. Participants acquire a non-forfeitable right to a service award after being credited with five years of firefighting service or upon attaining the program's entitlement age while an active volunteer. The program's entitlement age is 65. An active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain firefighter activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for five years of active volunteer firefighting service rendered prior to the establishment of this program. Participants who become unable to earn 50 points per year due to an injury sustained while performing a line of duty activity covered by the Volunteer Firefighters Benefit Law will be credited with five points for each full month during which they are disabled.

Program assets are required to be held in trust by Article 11-A, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program. The Village Board created a Service Award Program Trust Fund through the adoption of a Trust Document, a copy of which is available from the Village Attorney. The Village Board is the program trustee.

Authority to invest program assets is vested in the program trustee. Program assets are invested in accordance with a statutory prudent person rule and in accordance with the written investment policy statement adopted by the Village Board.

The number of employees covered under the program are as follows:

| | <u>Number of Subscribers</u> |
|--|----------------------------------|
| Inactive participants currently receiving benefit payments | 47 |
| Inactive participants entitled to but not yet receiving benefit payments | 26 |
| Active participants | <u>61</u> |
| Total | <u><u>134</u></u> |

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

Note 10 - Volunteer Firefighter Service Award Program - Continued

Defined Benefit Program Description - Continued

b. Benefits

A participant's service award benefit is paid as a ten-year guaranteed monthly payment life annuity. The amount payable each month equals \$20 multiplied by the total number of years of service credit earned under the point system. The maximum number of years of service credit a participant may earn is twenty years under the program. Currently, there is one other form of payment of a volunteer's earned service award under the program (an actuarially equivalent lump sum). Except in the case of death or total and permanent disablement, service awards commence to be paid when a participant attains the entitlement age. Volunteers who continue to be active after attaining the entitlement age and beginning to be paid a service award continue to have the opportunity to earn program credit and to thereby increase their service award payments.

The program provides death and disability benefits equal to the actuarial value of the participant's earned service award at the time of death or disablement (the minimum death benefit payable is \$10,000 if the participant was an active volunteer at death). The program does not provide extra line-of-duty death or disability benefits. All death and disability benefits are "self-insured" and are paid from the program trust fund.

For a complete explanation of the defined benefit program, see the Program Document, a copy of which is available from the Village Attorney.

c. Actuarial Assumptions

The actuarial valuation methodology used by the actuary to determine the sponsor's contribution is the attained age normal cost method. Under the attained age normal cost method, there are two components. The first component, the normal cost is equal to the level annual payment required to fund the current participants' project benefits on their service credit earned after the effective date of the Program and before the entitlement age. The second component, the annual amortization cost, equals the level annual payments required to fund the participants benefits over the amortization period(s) based on (1) service credit earned before the effective date of the Program, (2) service credit earned after attainment of the Entitlement Age, and (3) other unfunded accrued liability.

Under the attained age normal cost method, the unfunded accrued liability is calculated using the unit credit cost method. All other calculations proceed in a similar manner to the frozen initial liability cost method.

The amortization period for the unfunded program liability is 15 years. The amortization period for post-EA service liability is 1 year.

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

Note 10 - Volunteer Firefighter Service Award Program - Continued

Defined Benefit Program Description - Continued

c. Actuarial Assumptions - Continued

Other assumptions used by the actuary to determine the sponsor's contribution and the actuarial present value of benefits are:

| | |
|--|--|
| Discount rate | 3.16% |
| Pre-Entitlement Age Mortality Table | RP-2014 Mortality Table without projection for calculation of each Pre-EA self-insured death benefit only. |
| Post-Entitlement Age Mortality Table | RP-2014 Male Mortality Table without projection. |
| Valuation Age | Exact age of the valuation date, with annuity values linearly interpolated between whole ages. |
| Contribution Timing Adjustment | Contributions are assumed to be made 21 months after the valuation date. |
| Entitlement | 100% of Entitlement Age |
| Realization Rate for Active Participants | 100% of Entitlement Age for those who have earned at least one year of service credit in the prior three years, 0% otherwise |
| Withdrawal Rates | None |
| Administrative Cost | Fees paid from the Trust Fund are reimbursed back to the Fund as part of the minimum contribution. |
| Death Benefit | The minimum \$10,000 Pre-EA active member death benefit is funded by the program. |
| LOD Disability - immediate monthly benefit | 1.50% load of the present value of projected benefits for terminated vested and active participants. |

d. Measurement of Total LOSAP Pension Liability

The total pension liability at May 31, 2018 was determined using an actuarial valuation as of December 31, 2017. The following table presents the changes in total LOSAP pension liability for the program:

| | | |
|--|----|-----------|
| Beginning balance, as restated | \$ | 4,405,789 |
| Service cost | | 95,223 |
| Interest | | 162,867 |
| Changes of assumptions and other inputs | | 318,970 |
| Differences between expected and actual experience | | 6,021 |
| Benefit payments | | (222,120) |
| Ending balance | \$ | 4,766,750 |

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

Note 10 - Volunteer Firefighter Service Award Program - Continued

Defined Benefit Program Description - Continued

d. Measurement of Total LOSAP Pension Liability - Continued

The discount rate used to measure the total LOSAP pension liability is 3.16%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017. In describing this index, S&P Down Jones Indices notes that the index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years and with a rating of at least Aa2 by Moody's Investors Service's, AA by Fitch, or AA by Standard & Poor's Rating Services.

e. Sensitivity of the Total LOSAP Pension Liability to the Discount Rate Assumption

The following presents the total LOSAP pension liability of the Village as of May 31, 2018 calculated using the discount rate of 3.16 percent, as well as what the Village's total LOSAP pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.16 percent) or 1-percentage point higher (4.16 percent) than the current rate:

| | 1% Decrease (2.16%) | Current Discount (3.16%) | 1% Increase (4.16%) |
|-------------------------------|------------------------|--------------------------------|------------------------|
| Total LOSAP pension liability | \$ 5,437,440 | \$ 4,766,750 | \$ 4,209,435 |

f. LOSAP Pension Expense and Deferred Outflows

For the year ended May 31, 2018, the Village recognized LOSAP pension expense of \$318,141. The following table presents the components of LOSAP pension expense:

| | |
|--|------------|
| Components of pension expense | |
| Service cost | \$ 95,223 |
| Interest | 162,867 |
| Changes of assumptions and other inputs | 51,447 |
| Differences between expected and actual experience | 971 |
| LOSAP pension plan administrative expenses | 7,633 |
| | \$ 318,141 |

At May 31, 2018, the Village reported deferred outflows of resources related to the program from the following sources:

| | |
|--|------------|
| Differences between expected and actual experience | \$ 5,050 |
| Changes of assumptions or other inputs | 267,524 |
| Benefit payments and administrative expenses subsequent to the measurement date | 86,847 |
| | \$ 359,421 |

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

Note 10 - Volunteer Firefighter Service Award Program - Continued

Defined Benefit Program Description - Continued

f. LOSAP Pension Expense and Deferred Outflows - Continued

Benefit payments and administrative expenses incurred subsequent to the measurement date (contributions) will be recognized as a reduction of the total LOSAP pension liability in the year ending May 31, 2019. Other amounts reported as deferred outflows of resources related to the program will be recognized as LOSAP pension expense as follows:

| | | |
|---------------------|----|----------------|
| Year ending May 31, | | |
| 2019 | \$ | 52,418 |
| 2020 | | 52,418 |
| 2021 | | 52,418 |
| 2022 | | 52,418 |
| 2023 | | 52,418 |
| Thereafter | | <u>10,484</u> |
| | \$ | <u>272,574</u> |

Note 11 - Commitments, Contingencies, Risks, and Uncertainties

a. Power Supply and Transmission Contracts

Electric power distributed by the Electric Fund is obtained from NYPA under a supply contract which expires during 2025. The Electric Fund is entitled to a specific amount of kilowatts of firm hydroelectric power and associated energy. Demand, energy, and transmission charges under this contract are subject to change and approval of regulatory authorities. There are no minimum capacity or other fixed charge components to this contract.

During 1997, the Electric Fund entered into an agreement with Consolidated Edison Company of New York, Inc. (Con Edison), whereby Con Edison would provide the Electric Fund with firm point-to-point transmission service for the transmission of energy purchased from NYPA. Under the agreement, the Electric Fund is required to notify Con Edison each year with a maximum amount of transmission capacity it will require in the succeeding year. The agreement is renewed annually.

b. Grant Programs

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 past audits, the Village believes disallowances, if any, will be immaterial.

c. 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, 2018, which could affect future operating budgets of the Village.

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

Note 11 - Commitments, Contingencies, Risks, and Uncertainties - Continued

d. Risk and Uncertainties

The Electric Fund is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include prices on the wholesale markets for short-term power transactions; water conditions, weather, and natural disaster disruptions; collective bargaining labor disputes, and governmental regulation.

The Village's LOSAP invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes in the values could materially affect plan balances and the amounts reported in the balance sheet.

e. Environmental Risks

Certain facilities are subject to federal, state, and local regulations relating to the discharge of materials into the environment. Compliance with these provisions has not had, nor does the Village expect such compliance to have, any material effect upon the capital expenditures or financial condition of the Village. The Village believes that its current practices and procedures for control and disposition of regulated wastes comply with applicable federal, state, and local requirements.

f. Pending Litigation

The Village is involved in certain suits and claims arising from a variety of sources. It is the opinion of counsel and management that the liabilities that may arise from such actions would be covered by the Village's insurance carrier or would not result in losses that would materially affect the financial position of the Village or the results of its operations.

Note 12 - Fair Value Measurements

The framework for measuring fair value includes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of inputs used to measure fair value are as follows:

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

Level 2 Inputs to the valuation methodology include:

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

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

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

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

Note 12 - Fair Value Measurements - Continued

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

Cash equivalents: The carrying amount approximates fair value because of the short maturity of the instruments.

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

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

The following table summarizes as of May 31, 2018, the Village's restricted investments and categorization within the fair value measurement hierarchy:

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------------------|---------------------|-------------|-------------|---------------------|
| Cash equivalents | \$ 47,708 | \$ - | \$ - | \$ 47,708 |
| Exchange Traded Funds | | | | |
| U.S. Broad Market | 470,676 | - | - | 470,676 |
| International Equity | 483,127 | - | - | 483,127 |
| Mutual Funds | | | | |
| PIMCO - Fixed Income | 269,391 | - | - | 269,391 |
| Macro Opportunities - Fixed Income | 540,825 | - | - | 540,825 |
| Worldwide - Fixed Income | 271,854 | - | - | 271,854 |
| Equity/Fixed Income Blend | 596,249 | - | - | 596,249 |
| | <u>\$ 2,679,830</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,679,830</u> |

Note 13 - Accounting Pronouncements Issued But Not Yet Implemented

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB No. 75). GASB No. 75 establishes financial reporting standards for other postemployment benefits ("OPEB") plans for state and local governments. This standard replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. GASB No. 75 establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources, and expense/expenditures, as well as identifying the methods and assumptions required to project benefit payments, discount projected benefit payments, to their actuarial present value, and attribute that present value to periods of employee service. Additionally, GASB No. 75 lays out requirements for additional note disclosures and required supplementary information. These requirements are effective for fiscal years beginning after June 15, 2017.

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

Note 13 - Accounting Pronouncements Issued But Not Yet Implemented - Continued

GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statement No. 67, No. 68 and No. 73* (GASB No. 82). GASB No. 82 addresses issues regarding (1) the presentation of payroll-related measured in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of GASB No. 82 are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

GASB Statement No. 83, *Certain Asset Retirement Obligations* (GASB No. 83). GASB No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in GASB No. 83. The requirements of GASB No. 83 are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 84, *Fiduciary Activities* (GASB No. 84). GASB No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of GASB No. 84 are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 85, *Omnibus 2017* (GASB No. 85). The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). Specifically, this statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.
- Reporting amounts previously reported as goodwill and "negative" goodwill.
- Classifying real estate held by insurance entities.
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost.
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
- Classifying employer-paid member contributions for OPEB.
- Simplifying certain aspects of the alternative measurement method for OPEB.
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this statement are effective for reporting periods beginning after June 15, 2017.

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

Note 13 - Accounting Pronouncements Issued But Not Yet Implemented - Continued

GASB Statement No. 86, *Certain Debt Extinguishments* (GASB No. 86). The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 87, *Leases* (GASB No. 87). This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* (GASB No. 88). GASB No. 88 requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines-of-credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* (GASB No. 89). This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this statement. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

Incorporated Village of Greenport, New York

Notes to Financial Statements May 31, 2018

Note 13 - Accounting Pronouncements Issued But Not Yet Implemented - Continued

GASB Statement No. 90, *Majority Equity Interests*. This statement will provide financial reporting users with information related to the presentation of majority equity interests in legally separate organizations. In addition, this statement requires the reporting of information about component units if the government acquires a 100% equity interest about the cost of services to be provided by the component unit in relation to the consideration provided to acquire the component unit. The requirements for this statement are effective for reporting periods beginning after December 15, 2018.

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

Note 14 - Subsequent Events

On August 30, 2018, the Village issued \$650,000 in general obligation bonds to finance the cost of various capital improvements.

Incorporated Village of Greenport, New York

Required Supplementary Information Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund

| | Year Ended May 31, 2018 | | | |
|---|-------------------------|-----------------------|---------------------|--|
| | Original Budget | Modified Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | |
| Real property taxes | \$ 1,035,000 | \$ 1,035,000 | \$ 1,035,743 | \$ 743 |
| Real property tax items | 113,800 | 113,800 | 10,996 | (102,804) |
| Departmental revenues | 1,166,100 | 1,173,100 | 1,211,762 | 38,662 |
| Intergovernmental charges | 753,417 | 753,417 | 819,334 | 65,917 |
| Rental of real property | 840,000 | 855,000 | 897,326 | 42,326 |
| Use of money and property | 2,500 | 2,500 | 145,453 | 142,953 |
| Licenses and permits | 35,600 | 35,600 | 48,033 | 12,433 |
| Miscellaneous local sources | 108,900 | 108,900 | 1,427,256 | 1,318,356 |
| Other revenues | 118,600 | 118,600 | 99,775 | (18,825) |
| State aid | 98,027 | 98,027 | 147,165 | 49,138 |
| Total revenues | 4,271,944 | 4,293,944 | 5,842,843 | 1,548,899 |
| EXPENDITURES | | | | |
| General government support | 560,505 | 598,660 | 540,684 | 57,976 |
| Public safety | 1,210,335 | 1,237,760 | 882,745 | 355,015 |
| Health | 4,900 | 4,900 | 6,968 | (2,068) |
| Transportation | 728,786 | 767,400 | 767,092 | 308 |
| Culture and recreation | 811,743 | 871,922 | 957,108 | (85,186) |
| Home and community service | 214,085 | 214,085 | 162,594 | 51,491 |
| Employee benefits | 737,701 | 737,701 | 685,891 | 51,810 |
| Debt service | | | | |
| Principal | 325,000 | 325,000 | 450,000 | (125,000) |
| Interest | 49,890 | 49,890 | 52,861 | (2,971) |
| Total expenditures | 4,642,945 | 4,807,318 | 4,505,943 | 301,375 |
| Excess (deficiency) of revenues over expenditures | (371,001) | (513,374) | 1,336,900 | 1,850,274 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Appropriated interfund transfer in | - | - | 118,600 | 118,600 |
| Appropriated interfund transfer out | - | (621,710) | (809,610) | (187,900) |
| Total other financing sources (uses) | - | (621,710) | (691,010) | (69,300) |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses | \$ (371,001) | \$ (1,135,084) | 645,890 | \$ 1,780,974 |
| FUND BALANCE, beginning of year | | | 4,378,154 | |
| FUND BALANCE, end of year | | | \$ 5,024,044 | |

Incorporated Village of Greenport, New York

Required Supplementary Information Schedule of Funding Progress - Other Postemployment Benefits

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL)- Simplified Entry Age (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a)/c) |
|--------------------------------|--|---|--------------------------------------|--------------------------|---------------------------|---|
| 5/31/2016 | \$ - | \$ 6,879,536 | \$ 6,879,536 | 0.00% | \$ 1,739,854 | 395.41% |
| 5/31/2013 | \$ - | \$ 7,815,112 | \$ 7,875,112 | 0.00% | \$ 1,717,000 | 458.66% |

Incorporated Village of Greenport, New York

Required Supplementary Information Schedule of Proportionate Share of the Net Pension Liability

| <u>New York State and Local Employees' Retirement System</u> | <u>May 31,</u> | | |
|---|----------------|-------------|--------------|
| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
| Village's proportion of the net pension liability | 0.0066802% | 0.0066666% | 0.0065355% |
| Village's proportionate share of the net pension liability | \$ 215,600 | \$ 626,410 | \$ 1,048,963 |
| Village's covered-employee payroll | 1,987,602 | 1,843,135 | 1,697,221 |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 10.85% | 33.99% | 61.80% |
| Plan fiduciary net position as a percentage of the total pension liability | 98.24% | 94.70% | 90.70% |

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

Incorporated Village of Greenport, New York

Required Supplementary Information Schedule of Pension Contributions

| | Years Ended May 31, | | | | | | |
|--|---------------------|------------|------------|------------|------------|------------|------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Contractually required contribution | \$ 268,408 | \$ 255,662 | \$ 273,582 | \$ 286,427 | \$ 302,953 | \$ 306,161 | \$ 206,091 |
| Contributions in relation to the contractually required contribution | 268,408 | 255,662 | 273,582 | 286,427 | 302,953 | 306,161 | 206,091 |
| Contribution deficiency (excess) | - | - | - | - | - | - | - |
| Village's covered-employee payroll | 1,987,602 | 1,843,135 | 1,697,221 | 1,763,872 | 1,717,677 | 1,704,229 | 1,506,103 |
| Contributions as a percentage of covered-employee payroll | 13.50% | 13.87% | 16.12% | 16.24% | 17.64% | 17.96% | 13.68% |

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

Incorporated Village of Greenport, New York

Required Supplementary Information Schedule of Changes in Total Pension Liability - LOSAP

| Measurement date as of December 31, | <u>2018</u> |
|---|------------------|
| Total pension liability | |
| Service cost | \$ 95,223 |
| Interest | 162,867 |
| Changes of assumptions or other inputs | 318,970 |
| Difference between expected and actual experience | 6,021 |
| Benefit payments | <u>(222,120)</u> |
| Net change in total pension liability | 360,961 |
| Total pension liability, <i>beginning</i> | \$ 4,405,789 |
| Total pension liability, <i>ending</i> | \$ 4,766,750 |
| Covered payroll | None |
| Total pension liability as a percentage of covered payroll | N/A |

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