



**Incorporated Village of
Greenport, New York
Electric Department**

(An Enterprise Fund of the Incorporated Village
of Greenport, New York)

Financial Report

May 31, 2022

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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 Audit of the Financial Statements

Opinion

We have audited the financial statements of the Incorporated Village of Greenport, New York Electric Department (Department) (an enterprise fund of the Village of Greenport, New York) as of and for the year ended May 31, 2022, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Department as of May 31, 2022, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 8 and the schedules listed in the table of contents on pages 30 to 32 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.



Required Supplementary Information - Continued

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 October 13, 2022, on our consideration of the Department'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 Department'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 Department's internal control over financial reporting and compliance.

BST+Co.CPAs, LLP

Albany, New York
October 13, 2022



Incorporated Village of Greenport, New York Electric Department

Management's Discussion and Analysis May 31, 2022

The Incorporated Village of Greenport, New York - Electric Department, hereafter referred to as the "Department," is pleased to present its Financial Report for the year ended May 31, 2022, developed in compliance with Statement of Governmental Accounting Standard No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments* (hereafter "GASB 34"), and related standards. We encourage readers to consider the information presented on pages 4 to 8 in conjunction with the Department's financial statements (presented on pages 9 to 11) to enhance their understanding of the Department's financial performance.

Responsibility and Controls

The Department has prepared and is responsible for the financial statements and related information included in this report. A system of internal accounting controls is maintained to provide reasonable assurance that assets are safeguarded and that the books and records reflect only authorized transactions. Limitations exist in any system of internal controls. However, based on the recognition that the cost of the system should not exceed its benefits, management believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

The Department's system of internal accounting controls is evaluated on an ongoing basis by the Department's internal financial staff. Independent external auditors also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

The Finance Committee of the Village's Board of Trustees serves the role of an Audit Committee. It is composed of members of the Board who are not employees and who provide a broad overview of management's financial reporting and control functions. Periodically, this Committee meets with management and the independent external auditors to ensure these groups are fulfilling their obligations and to discuss auditing, controls, and financial reporting matters.

Management believes that its policies and procedures provide guidance and reasonable assurance that the Department's operations are conducted according to management's intentions and to a high standard of business ethics. In management's opinion, the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Department in conformity with accounting principles generally accepted in the United States of America.

Audit Assurance

The unmodified (i.e., clean) opinion of our independent external auditors, BST & Co. CPAs, LLP, is included on pages 1 through 3 of this report.

This section presents management's discussion and analysis of the Department's financial condition and activities for the year ended May 31, 2022. This information should be read in conjunction with the financial statements.

Incorporated Village of Greenport, New York Electric Department

Management's Discussion and Analysis May 31, 2022

Required Financial Statements

The financial statements of the Department report information about the Department's use of accounting methods which are similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The statement of net position includes all of the Department's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and obligations to Department creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Department, and assessing the liquidity and financial flexibility of the Department.

All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the success of the Department's operations over the past year and can be used to determine whether the Department has successfully recovered all of its costs through its electric rates and other fees as approved by the New York Power Authority's (NYPA) Board of Trustees.

The final required financial statement is the Department's statement of cash flows. The primary purpose of this statement is to provide information about the Department's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and the change in cash during the reporting period.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Department's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

Summary of Organization and Business

The Department is an enterprise fund of the Incorporated Village of Greenport, New York and operates an electric distribution system on the North Fork of Long Island, New York. The Department operates the municipal electric utility under the guidance of the Mayor and Board of Trustees of the Village.

The Department serves approximately 2,160 customers throughout the Village and surrounding communities.

The Department purchases almost all of the power it distributes. The power purchased is through a bilateral contract with NYPA for low-cost hydroelectric power under provisions of the Niagara Redevelopment Act, 16 U.S.C. § 836, *et seq.* When needed, the Department has the ability to generate its own power via its diesel generating plant.

The Department's assets include a generating plant and warehouse, a substation, distribution system components and a fleet of vehicles which support on-going operations, as well as the poles, wires and hardware found throughout the system.

The revenues of the Department are based on metered electric service provided to users throughout the system. The Department makes an annual contribution to the Village's General Fund. The Department receives no financial assistance from the Village but does bill the Village for the electricity it uses.

Incorporated Village of Greenport, New York Electric Department

Management's Discussion and Analysis May 31, 2022

Financial Analysis

The following comparative condensed financial statements and other selected information provide key financial data and indicators for management, monitoring, and planning.

Condensed Statements of Net Position

	May 31,		
	2022	2021	2020
Current assets	\$ 1,441,720	\$ 903,526	\$ 1,090,604
Other assets	192,903	-	-
Restricted assets	2,769,588	3,156,000	2,848,353
Deferred outflows	366,945	522,541	366,850
Capital assets	10,141,204	6,942,222	7,095,625
Total assets and deferred outflows	\$ 14,912,360	\$ 11,524,289	\$ 11,401,432
Current liabilities	\$ 1,120,228	\$ 470,379	\$ 651,560
Long-term liabilities	5,645,463	5,578,414	6,081,304
Deferred inflows	681,705	728,050	23,203
Total liabilities	7,447,396	6,776,843	6,756,067
Net investment in capital assets	5,596,174	4,507,222	4,576,625
Restricted	2,769,588	3,156,000	2,848,353
Unrestricted	(900,798)	(2,915,776)	(2,779,613)
Total net position	7,464,964	4,747,446	4,645,365
Total liabilities, deferred inflows, and net position	\$ 14,912,360	\$ 11,524,289	\$ 11,401,432

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended May 31,		
	2022	2021	2019
Operating revenue	\$ 4,114,803	\$ 3,632,772	\$ 3,731,332
Non-operating revenue	523	1,348	1,281
Total revenue	4,115,326	3,634,120	3,732,613
Depreciation expense	312,457	307,852	303,291
Other operating expenses	3,092,272	3,038,736	3,181,843
Non-operating expense	95,109	97,451	100,613
Total expenses	3,499,838	3,444,039	3,585,747
Net income	615,488	190,081	146,866
NET POSITION, beginning of year	4,747,446	4,645,365	4,586,499
Contributions in aid of construction	2,190,030	-	-
Contributions to Village of Greenport	(88,000)	(88,000)	(88,000)
NET POSITION, end of year	\$ 7,464,964	\$ 4,747,446	\$ 4,645,365

Incorporated Village of Greenport, New York Electric Department

Management's Discussion and Analysis May 31, 2022

Financial Condition and Results of Operations

The Department recognized net income of \$615,488 for the year ended May 31, 2022. This represents an increase of approximately \$425,000 from the prior year.

Sales of electricity increased approximately \$150,000 from the prior year, largely due to a 1% increase in customer consumption, as well as an increase in supplemental energy costs that are passed onto the customer on a dollar-for-dollar basis. Sales of electricity totaled \$3,795,000 for the fiscal year ended May 31, 2022. In addition, the Department generated another \$299,000 in miscellaneous operating revenues.

Total operating expenses experienced a net increase of approximately \$58,000 from the prior year. Notable changes in operating expenses were: (1) an increase in supplemental energy costs (energy costs in excess of the Department's hydro power allotment from NYPA), which was passed onto the customer on a dollar-for-dollar basis; (2) a decrease in repair and maintenance costs to the distribution system; and (3) a significant decrease in certain employee benefit costs (primarily NYS retirement costs and postemployment health benefits, both of which are determined by independent actuaries).

In addition to the net income generated by the Department during Fiscal Year 2022, the Department also made an \$88,000 contribution to the Village's General Fund. Contributions to the Village are considered a distribution (reduction) of the Department's net position, and do not enter into the determination of the Department's net income.

During Fiscal Year 2022, the Department made capital improvements of approximately \$3,500,000, which includes those costs related to the Department's re-build and upgrade of the distribution system and other related property. This re-build is commonly referred to by the Department as the "Micro Grid" project. These improvements, primarily made to the Department's generating units and distribution system, were financed solely from the Department's existing cash flows as well as a \$2,190,000 grant originally sourced from a federal financial assistance program. As such, no new debt was issued related to these improvements. The federal grant, totaling \$2,190,000 is considered a contribution in aid of construction and is reported as an increase in the Department's net position, and did not enter into the determination of the Department's net income.

At May 31, 2022, the Department holds approximately \$3,636,000 in cash. Total cash balances include the following: (1) operating cash of \$867,000; (2) \$2,099,000 in depreciation reserves, to be used for the replacement of existing operating property; (3) \$403,000 for the payment of future Transmission Congestion Contracts (also known as TCC's); (4) \$143,000 in an energy efficiency reserve to be used for future energy conservation programs; and (5) \$124,000 in customer deposits.

In addition to its strong cash holdings, the Department also exhibits a strong position in many of its financial and operational statistics, including: (a) current ratio; (b) days sales in receivables; (c) uncollectible revenues; and (d) gross profit margin.

The Department's long-term obligations at May 31, 2022 are discussed in greater detail below.

Incorporated Village of Greenport, New York Electric Department

Management's Discussion and Analysis May 31, 2022

Long-Term Obligations and Assets

As of May 31, 2022, the Department has one outstanding public improvement serial bond. This bond was issued during 2014 to assist in the financing of certain improvements to the distribution system. Terms of the bond include annual payments of principal (ranging from \$80,000 to \$170,000), and semi-annual payments of interest at rates ranging from 2.25% to 4.25%. The bond will mature in Fiscal Year 2042. The balance of this outstanding obligation at May 31, 2022, was \$2,355,000.

The Department also has accrued long-term liabilities for postemployment health care insurance benefits and accrued compensated absences.

The accrued liability related to postemployment health care benefits is based on an actuarial report performed by a third party. At year-end 2022 the total liability for postemployment health care benefits was \$3,295,276. This liability is the main driver of the unrestricted net deficit at May 31, 2022.

For the first time, the Department recognized a net pension asset as of May 31, 2022. A strong rebound in the performance of investments held by the ERS during the period March 31, 2020 through March 31, 2022, was the primary reason for the recognition of this asset. The Department's allocated share of the Village's total net pension asset was \$192,903 at May 31, 2022.

More detailed information about the Department's obligations is presented in the notes to the financial statements on pages 12 to 28.

Economic and Operational Factors

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 also added commercial and residential properties.

The Department 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. While these risks could have an impact on future operations and financial performance, management continues to actively manage these risks to limit any possible material impact.

Requests for Information

This financial report is designed to provide a general overview of the Departments 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 Electric Department

Statement of Net Position

	May 31, 2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CAPITAL ASSETS	
Plant in service, at original cost	\$ 17,067,806
Less accumulated depreciation	<u>6,926,602</u>
Total capital assets	<u>10,141,204</u>
RESTRICTED ASSETS	
Cash and cash equivalents, restricted	<u>2,769,588</u>
CURRENT ASSETS	
Cash and cash equivalents	866,879
Accounts receivable, net	398,861
Due from other Village funds	27,170
Inventory	<u>148,810</u>
Total current assets	<u>1,441,720</u>
OTHER ASSETS	
Net pension asset	<u>192,903</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to net pension liability	<u>366,945</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 14,912,360</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
NET POSITION	
Net investment in capital assets	\$ 5,596,174
Restricted	2,769,588
Unrestricted (deficit)	<u>(900,798)</u>
	<u>7,464,964</u>
OTHER LIABILITIES, less current installments	
Bonds payable	2,275,000
Accrued postemployment health benefits	3,295,276
Accrued compensated absences	75,187
	<u>5,645,463</u>
CURRENT LIABILITIES	
Accounts payable and accrued expenses	899,317
Due to other Village funds	24,234
Customer deposits	116,677
Bonds payable, due in one year	<u>80,000</u>
Total current liabilities	<u>1,120,228</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to net pension liability	<u>681,705</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 14,912,360</u>

See accompanying Notes to Financial Statements.

Incorporated Village of Greenport, New York Electric Department

Statement of Revenues, Expenses, and Changes in Net Position

	May 31, 2022
OPERATING REVENUES	
Residential	\$ 1,729,299
Industrial	433,897
Commercial	1,301,323
Other	650,284
	4,114,803
 OPERATING EXPENSES	
Production	
Electricity purchased	1,668,692
 Distribution	
Operations and plant	585,336
Repairs	68,922
	654,258
 Other operating expenses	
Maintenance of poles, towers, and fixtures	3,425
Street lighting and signal system	7,881
Consumers' accounting and collecting	8,659
	19,965
 Depreciation	312,457
 Administrative and general	
Salaries, employee benefits, and related expenses	584,400
Other	164,957
	749,357
 Total operating expenses	3,404,729
 Net operating income	710,074
 OTHER INCOME (EXPENSE)	
Interest income	523
Interest expense	(95,109)
	(94,586)
 Net income	615,488
 NET POSITION, <i>beginning of year</i>	4,747,446
 CONTRIBUTIONS	
Contributions in aid of construction	2,190,030
Contributions to Village of Greenport	(88,000)
	(88,000)
 NET POSITION, <i>end of year</i>	\$ 7,464,964

See accompanying Notes to Financial Statements.

Incorporated Village of Greenport, New York Electric Department

Statement of Cash Flows

	Year Ended May 31, 2022
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Cash received from customers	\$ 4,025,075
Cash paid to suppliers and other vendors	(1,255,125)
Cash paid for salaries and employee benefits	(1,123,107)
	1,646,843
NET CASH PROVIDED BY INVESTING ACTIVITIES	
Interest income	523
	(88,000)
NET CASH USED BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES	
Contributions to Village of Greenport	(88,000)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase/construction of utility plant	(3,511,439)
Principal payments on bonds payable	(80,000)
Contributions in aid of construction	2,190,030
Interest expense	(95,109)
	(1,496,518)
Net increase in cash and cash equivalents	62,848
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	3,573,619
CASH AND CASH EQUIVALENTS, <i>end of year</i>	\$ 3,636,467
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Net operating income	\$ 710,074
Adjustments to reconcile net operating income to net cash provided (used) by operating activities	
Depreciation	312,457
(Increase) decrease in	
Accounts receivable	(54,410)
Due from other Village funds	(27,170)
Inventory	(7,354)
Net pension asset	(195,353)
Deferred outflows of resources	155,596
Increase (decrease) in	
Accrued postemployment health benefits	145,821
Accrued compensated absences	3,678
Accounts payable and accrued expenses	682,794
Customer deposits	(5,286)
Due to other Village funds	(27,659)
Deferred inflows of resources	(46,345)
	\$ 1,646,843

See accompanying Notes to Financial Statements.

Incorporated Village of Greenport, New York Electric Department

Notes to Financial Statements
May 31, 2022

Note 1 - Organization and Summary of Significant Accounting Policies

The accompanying basic financial statements of the Incorporated Village of Greenport, New York Electric Department (Department) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to enterprise funds of governmental units. 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 Department is engaged in the distribution of retail electric power in the Incorporated Village of Greenport, New York (Village) and surrounding communities. The Department owns and operates distribution facilities and supplies electricity to approximately 2,160 customers. The Department is managed and reported as an enterprise fund of the Village and is subject to regulation by the New York Power Authority (NYPA) with respect to wholesale power purchased, rate structure, accounting, and other matters.

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

The Village and the Department are 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.

a. Basis of Accounting and Financial Statement Presentation

All activities of the Department are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are: (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Department is determined by its measurement focus. The transactions of the Department are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities, and deferred inflows associated with the operations are included on the statements of net position.

Net position may be classified into three components, as follows:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by the net outstanding debt balances and contributions in aid of construction attributable to the acquisition of capital assets.
- Restricted net position has constraints placed on use, either externally or internally. Constraints include those imposed by laws and regulations of other governments. At May 31, 2022, the Department maintains several cash accounts that carry external restrictions.
- Unrestricted net position (deficit) consists of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of "restricted net position" or "net investment in capital assets."

Incorporated Village of Greenport, New York Electric Department

Notes to Financial Statements
May 31, 2022

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

b. Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred outflows and inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

c. Revenue Recognition

Revenues are recorded when distribution services are provided to customers.

Operating revenues 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 Department by means of a monthly "Purchased Power Adjustment" (PPA) factor.

d. Cash and Cash Equivalents

Cash and cash equivalents consist of cash and investments with original maturities of three months or less.

Restricted cash and cash equivalents are held by the Department for capital replacements (depreciation fund), future transmission congestion charges and customer deposits. Customer deposits are returned to the customer, with accrued interest thereon, when electric service is discontinued. The Department reports a liability for customer deposits in its statement of net position.

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, 2022, the collateral was sufficient to secure the Village's deposits.

e. Short-Term Interfund Receivables/Payables

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

Incorporated Village of Greenport, New York Electric Department

Notes to Financial Statements
May 31, 2022

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

f. Accounts Receivable, Net

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 as of May 31, 2022 was \$297,411.

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.

g. Inventory

Inventory consists of components, parts, and tools held for consumption. Inventory is valued at the lower of cost or market, with cost determined on a rolling average cost basis, and is expensed or capitalized when used. Inventory materials recovered and returned to stock in construction, maintenance, or the retirement of operating property are valued at current replacement prices. 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 as of May 31, 2022.

h. Capital Assets

Capital assets include buildings, vehicles, transmission, distribution 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 plant in service, at original cost. Capital fees totaled \$2,190,030 as of May 31, 2022 and was solely related to a federal grant received in the fiscal year ended May 31, 2022. 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 the Federal Energy Regulation Commission (FERC) and NYPA.

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.

The Department 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 2022.

i. 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 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.

Incorporated Village of Greenport, New York Electric Department

Notes to Financial Statements
May 31, 2022

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

i. Deferred Outflows/Inflows of Resources - Continued

Pension related deferred outflows of resources and deferred inflows of resources are disclosed in Note 7.

j. 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. Accrued compensated absences totaled \$75,187 at May 31, 2022.

Postretirement Benefits

The Department recognizes in its financial statements the financial impact of other postemployment benefits, principally employer funded health care costs. The impact on the Department's financial positions and results of operations is more fully disclosed in Note 8.

Net Pension Asset

The net pension asset represents the Department's proportionate share of the net pension asset of the New York State and Local Employees' Retirement System, as further discussed in Note 7. The Department reports its proportionate share of the net pension asset, deferred outflows and inflows of resources, and related expenses on the accrual basis of accounting.

k. Subsequent Events

The Department has evaluated subsequent events for potential recognition or disclosure through October 13, 2022 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, including the Department. 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.

Incorporated Village of Greenport, New York Electric Department

Notes to Financial Statements May 31, 2022

Note 2 - Stewardship, Compliance, and Accountability - Continued

The Village employs the following budgetary procedures:

- i. 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.
- ii. After a public hearing is conducted to obtain taxpayer comments, but no later than May 1, the Village adopts the budget.
- iii. 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.

Note 3 - Capital Assets

A summary of the Department's capital assets, at cost, is as follows:

	May 31, 2022			
	Balance at Beginning of Year	Additions	Disposals	Balance at End of Year
Depreciable capital assets				
Buildings	\$ 546,770	\$ -	\$ -	\$ 546,770
Transmission and distribution equipment	12,431,363	64,146	-	12,495,509
Vehicles	577,734	17,659	-	595,393
	13,555,867	81,805	-	13,637,672
Less accumulated depreciation	6,614,145	312,457	-	6,926,602
Total depreciable capital assets, net	6,941,722	(230,652)	-	6,711,070
Non-depreciable capital assets				
Land	500	-	-	500
Construction in progress	-	3,429,634	-	3,429,634
Total non-depreciable capital assets	500	3,429,634	-	3,430,134
Total capital assets	<u>\$ 6,942,222</u>	<u>\$ 3,198,982</u>	<u>\$ -</u>	<u>\$ 10,141,204</u>

Note 4 - Bonds Payable

A summary of the Department's bond issuance at May 31, 2022 is as follows:

Description	Issue Date	Maturity Date	Interest Rate	Balance
2014 Public Improvement Serial Bond	1/2014	4/2042	2.250% to 4.250%	<u>\$ 2,355,000</u>

Interest expense incurred and paid on this indebtedness totaled \$93,911 and \$94,244, respectively for the year ended May 31, 2022.

Incorporated Village of Greenport, New York Electric Department

Notes to Financial Statements May 31, 2022

Note 4 - Bonds Payable - Continued

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

	Bond Principal	Bond Interest	Total
For the year ending May 31,			
2023	\$ 80,000	\$ 92,244	\$ 172,244
2024	85,000	89,969	174,969
2025	85,000	87,419	172,419
2026	90,000	84,344	174,344
2027	90,000	80,744	170,744
2028 through 2032	515,000	344,620	859,620
2033 through 2037	630,000	231,032	861,032
2038 through 2042	780,000	85,331	865,331
	<u>\$ 2,355,000</u>	<u>\$ 1,095,703</u>	<u>\$ 3,450,703</u>

Note 5 - Interfund Transactions

Interfund balances are as follows at May 31, 2022:

Fund	Interfund Receivables	Interfund Payables
General	\$ 27,170	\$ -
Water	-	24,234
	<u>\$ 27,170</u>	<u>\$ 24,234</u>

Note 6 - Changes in Long-Term Liabilities

The following table summarizes the Department's changes in long-term liabilities:

Description	Balance	Additions	Deletions	Balance	One Year
Accrued compensated absences	\$ 71,509	\$ 3,678	\$ -	\$ 75,187	\$ -
Accrued postemployment health benefits	3,149,455	145,821	-	3,295,276	-
Net pension liability (asset)	2,450	-	195,353	(192,903)	-
Bonds payable	2,435,000	-	80,000	2,355,000	80,000
Total	<u>\$ 5,658,414</u>	<u>\$ 149,499</u>	<u>\$ 275,353</u>	<u>\$ 5,532,560</u>	<u>\$ 80,000</u>

Incorporated Village of Greenport, New York Electric Department

Notes to Financial Statements
May 31, 2022

Note 7 - 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.

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.

Incorporated Village of Greenport, New York Electric Department

Notes to Financial Statements May 31, 2022

Note 7 - New York State Retirement System - Continued

b. Plan Benefits - Continued

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.

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, 2022 was approximately 14.6 percent of payroll.

Incorporated Village of Greenport, New York Electric Department

Notes to Financial Statements May 31, 2022

Note 7 - New York State Retirement System - Continued

c. Funding Policy - Continued

The Department's allocated portion of the Village's contributions for the current year and two preceding years were as follows:

2022	\$	97,244
2021		91,371
2020		93,429

Contributions made to the System were equal to 100% of the contributions required for each year.

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

At May 31, 2022, the Village reported a total asset of \$551,151 for its proportionate share of the net pension asset of the System. The Department's allocated portion of the Village's asset at May 31, 2022 was \$192,903. The net pension asset was measured as of March 31, 2022, and the total pension asset was determined by an actuarial valuation as of April 1, 2021. The Village's proportion of the net pension asset 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, 2022, measurement date, the Department's allocated portion of the Village's proportionate share in the System was 0.0023598%.

For the year ended May 31, 2022, the Department recognized pension expense of \$6,017. At May 31, 2022, the Department reported its allocated portion of deferred outflows of resources and deferred inflows of resources as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		
Changes in assumptions	\$ 14,609	\$ 18,948
Net differences between projected and actual investment earnings on pension plan investments	321,934	5,432
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	631,677
Department contributions subsequent to the measurement date	17,830	25,648
	<u>12,572</u>	<u>-</u>
Total	<u>\$ 366,945</u>	<u>\$ 681,705</u>

Incorporated Village of Greenport, New York Electric Department

Notes to Financial Statements May 31, 2022

Note 7 - New York State Retirement System - Continued

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

Contributions subsequent to the measurement date will be recognized as a reduction to/increase in the net pension liability/asset in the year ending May 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31,	
2023	\$ (51,071)
2024	(73,315)
2025	(164,739)
2026	<u>(38,208)</u>
 Total	 <u><u>\$ (327,332)</u></u>

Actuarial Assumptions

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

Actuarial Cost Method	Entry age normal
Inflation Rate	2.7 percent
Salary Scale	4.4% indexed by service
Investment rate of return, including inflation	5.9% compounded annually, net of expenses
Decrement	Developed from the Plan's experience study of the period April 1, 2015 through March 31, 2020
Mortality improvement	Society of Actuaries Scale MP-2020
Cost of living adjustments	1.4% annually

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.

Incorporated Village of Greenport, New York Electric Department

Notes to Financial Statements
May 31, 2022

Note 7 - New York State Retirement System - Continued

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

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	32.00%	3.30%
International equity	15.00%	5.85%
Private equity	10.00%	6.50%
Real estate	9.00%	5.00%
Opportunistic/ARS portfolio	3.00%	4.10%
Credit	4.00%	3.78%
Real assets	3.00%	5.58%
Fixed income	23.00%	0.00%
Cash	1.00%	-1.00%
	100.00%	

Discount Rate

The discount rate used to calculate the total pension asset was 5.9%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

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

The following presents the Department's proportionate share of the net pension asset calculated using the discount rate of 5.9%, as well as what the Department'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 (4.9%) or 1 percentage point higher (6.9%) than the current rate:

	1% Decrease (4.9%)	Current Discount (5.9%)	1% Increase (6.9%)
Department's proportionate share of the net pension liability (asset)	\$ 496,530	\$ (192,903)	\$ (769,580)

Incorporated Village of Greenport, New York Electric Department

Notes to Financial Statements May 31, 2022

Note 7 - New York State Retirement System - Continued

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

Pension Plan Fiduciary Net Position

The components of the current-year net pension asset of the employers as of March 31, 2022 were as follows (amounts in thousands):

Employers' total pension liability	\$ 223,874,888
Plan net position	<u>(232,049,473)</u>
Employers' net pension asset	<u>\$ (8,174,585)</u>
Ratio of plan net position to the employers' total pension liability	<u>103.65%</u>

Note 8 - Other Postemployment Benefits (OPEB)

In addition to providing pension benefits, the Village provides certain health benefits subsequent to employment for eligible retirees. In order to receive benefits, employees must achieve 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, 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).

A summary of active and retired employees covered under the plan as of the May 31, 2022 measurement date is as follows:

Active	34
Retired and surviving spouses	24
Surviving spouse	<u>2</u>
	<u>60</u>

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.

The Village is not required to fund the plan other than the pay-as-you-go amount necessary to provide current benefits to retirees. The plan does not issue a stand-alone financial report as there are no assets legally segregated for the sole purpose of paying benefits under the plan.

Incorporated Village of Greenport, New York Electric Department

Notes to Financial Statements
May 31, 2022

Note 8 - Other Postemployment Benefits (OPEB) - Continued

At May 31, 2022, the Department's allocated portion of the Villages liability was \$3,295,276. The OPEB liability was measured as of May 31, 2022 by an actuarial valuation using census data information as of that date. For the year ended May 31, 2022, the Department recognized OPEB expense of \$145.821.

The OPEB liability at May 31, 2022 was determined using the following actuarial assumptions:

Assumptions	Factor
Age adjustment factor	1
Average retirement age	63
Future contribution strategy	Remain a level % of the total cost over time
Actuarial cost method	Entry age
Amortization method	Level of percent of payroll
Discount rate	2.50%
Projected salary increases	3.00%
Participant percent	100.00%
Mortality table	Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years
Turnover assumption	Derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System
Healthcare trend rates	Year 1: 3.00% - 5.90% Year 2: 3.00% - 4.80% Year 3: 3.00% - 4.70% Year 4-6: 3.00% - 4.70% Thereafter: 3.00% - 4.60%

The discount rate used to measure the OPEB liability was based on the Bond Buyer 20-year general obligation bond index.

Actuarial valuations involve estimates and assumptions about the probability of events far into the future and are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. These calculations are designed to reduce short-term volatility in actuarial accrued liabilities. Projected benefits are based on the types of benefits provided at the time of each valuation and on the cost sharing provisions then in effect.

Incorporated Village of Greenport, New York Electric Department

Notes to Financial Statements
May 31, 2022

Note 8 - Other Postemployment Benefits (OPEB) - Continued

Changes in the Department's allocated portion of the OPEB liability are as follows:

June 1, 2021	\$ 3,149,455
Changes for the year	
Service cost	104,528
Interest cost	94,090
Economic/demographic gains	1,683
Change of assumptions or inputs	285,563
Benefit payments	<u>(340,043)</u>
Net changes for the year	<u>145,821</u>
 May 31, 2022	 <u><u>\$ 3,295,276</u></u>

The following presents the Department's allocated portion of the OPEB liability as of May 31, 2022 using the current health care cost trend rates as well as what the OPEB liability would be if it were calculated using health care cost trend rates 1% higher or 1% lower than the current rates:

	1% Decrease	Current Discount	1% Increase
Department's proportionate share of the OPEB liability	\$ 2,721,455	\$ 3,295,276	\$ 4,038,313

The following presents the Department's allocated portion of the OPEB liability as of May 31, 2022 using the current discount rate of 2.50%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (1.50%)	Current Discount (2.50%)	1% Increase (3.50%)
Department's proportionate share of the OPEB liability	\$ 3,926,777	\$ 3,295,276	\$ 2,802,531

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

Note 9 - Commitments, Contingencies, Risks, and Uncertainties

a. Power Supply and Transmission Contracts

Electric power distributed by the Department is obtained from NYPA under a supply contract which expires during 2025. The Department 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.

Incorporated Village of Greenport, New York Electric Department

Notes to Financial Statements
May 31, 2022

Note 9 - Commitments, Contingencies, Risks, and Uncertainties - Continued

a. Power Supply and Transmission Contracts - Continued

During 1997, the Department 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 Department 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. Risk and Uncertainties

The Department 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.

c. Pending Litigation

The Department 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 Department or the results of its operations.

Note 10 - Accounting Pronouncements Issued But Not Yet Implemented

GASB Statement No. 87, *Leases* (GASB 87). GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use and underlying asset. Under this statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about government's leasing activities. The requirements of this statement, as delayed by GASB 95, are effective for reporting periods beginning after June 15, 2021.

GASB Statement No. 91, *Conduit Debt Obligations*. This statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice. This statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer, establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangement associated with conduit debt obligations, and improves note disclosures. The requirements of this statement, as delayed by GASB 95, are effective for reporting periods beginning after December 15, 2021.

GASB Statement No. 92, *Omnibus 2020*. This statement addresses a variety of topics including leases, intra-entity transfers, fiduciary activities, public entity risk pools/reinsurance recoveries, fair value measurements, and derivative instrument terminology. Guidance related to leases, reinsurance recoveries and derivative instrument terminology was effective upon the issuance of the standard in January 2020. The remaining components of this standard, as delayed by GASB 95, are effective for periods beginning after June 15, 2021.

Incorporated Village of Greenport, New York Electric Department

Notes to Financial Statements May 31, 2022

Note 10 - Accounting Pronouncement Issued But Not Yet Implemented - Continued

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this statement is to address accounting and financial reporting implications that result from the replacement of interbank offered rates (IBOR), such as providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment. The removal of the London IBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. The requirements relating to lease modifications, as delayed by GASB 95, are effective for reporting periods beginning after June 15, 2021. All other requirements of this statement are effective for reporting periods beginning after June 15, 2020.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this statement are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement: (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Under this statement, a government generally should recognize a right-to-use subscription asset and a corresponding subscription liability. The requirements of this statement are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Service Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this statement are to: (1) increase consistency and comparability relating to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution other postemployment benefit plan, or another employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting

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Note 10 - Accounting Pronouncement Issued But Not Yet Implemented - Continued

majority of a governing board if the primary government performs the duties that a governing board would typically perform. The requirements of this statement that: (1) exempt primary governments that perform duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution other postemployment benefit plans, or other employee benefit plans; and (2) limit the applicability of the financial burden criteria, are effective immediately. The requirements of this statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this statement that provide for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021.

GASB Statement No. 99, *Omnibus 2022*. This statement addresses a variety of topics. The requirements of this statement related to the extension of the sue of LIBOR, accounting for Supplement Nutrition Assistance Program distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of the provisions of GASB Statement No. 34, *Basis Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended, and terminology updates related to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53), and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, were effective upon issuance of the statement in April 2022. The requirements of this statement related to leases, PPPs, and SBITAs are effective for reporting periods beginning after June 15, 2022. The requirements of this statement related to financial guarantees and the classification of reporting of derivative instruments within the scope of GASB 53 are effective for reporting periods beginning after June 15, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections*. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. This statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and change to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting – understandability, reliability, relevance, timeliness, consistency, and comparability. This statement also addresses corrections of errors in previously issued financial statements. This statement prescribes the accounting and financial reporting for (1) each type of accounting changes and (2) error corrections. This statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific

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transition provisions in the new pronouncement. This statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. This statement requires disclosures in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about quantitative effects of beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information and supplementary information. For periods that are earlier than those included in the basic financial statements, information presented as required supplementary information and supplementary information should be restated for error corrections, if practicable, but not for changes in accounting principles. The requirements of this statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 101, *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. This statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

Management has not yet estimated the extent of the potential impact of these statements on the Department's financial statements.

Incorporated Village of Greenport, New York Electric Department

Required Supplementary Information Schedule of the Local Government's Proportionate Share of Net Pension Liability (Asset)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Department's proportion of the net pension liability (asset)	0.0023598%	0.0024609%	0.0022189%	0.0023933%	0.0023381%	0.0023333%	0.0022874%
Department's proportionate share of the net pension liability (asset)	\$ (192,903)	\$ 2,450	\$ 587,567	\$ 169,572	\$ 75,460	\$ 219,244	\$ 367,137
Department's covered-employee payroll	\$ 712,896	\$ 729,854	\$ 721,650	\$ 746,642	\$ 695,661	\$ 645,097	\$ 594,027
Department's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-27.06%	0.34%	81.42%	22.71%	10.85%	33.99%	61.80%
Plan fiduciary net position as a percentage of the total pension liability (asset)	103.65%	99.95%	86.39%	96.27%	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 Electric Department

Required Supplementary Information Schedule of Local Government Pension Contributions

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 97,244	\$ 91,371	\$ 93,429	\$ 93,943	\$ 91,258	\$ 89,482	\$ 95,754	\$ 100,249	\$ 106,034	\$ 107,156
Contributions in relation to the contractually required contribution	97,244	91,371	93,429	93,943	91,258	89,482	95,754	100,249	106,034	107,156
Contribution deficiency (excess)	-	-	-	-	-	0	0	(0)	0	(0)
Department's covered-employee payroll	712,896	729,854	721,650	746,642	695,661	645,097	594,027	617,355	601,187	596,480
Contribution as a percentage of covered-employee payroll	13.64%	12.52%	12.95%	12.58%	13.12%	13.87%	16.12%	16.24%	17.64%	17.96%

**Incorporated Village of Greenport, New York
Electric Department**

Required Supplementary Information
Schedule of Other Postemployment Benefits Liability

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 3,149,455	\$ 3,058,737	\$ 2,977,171	\$ 2,550,313
Changes for the year				
Service cost	104,528	146,847	146,847	119,942
Interest	94,090	90,404	90,404	92,451
Economic/demographic gains	1,683	(14,235)	(87,961)	281,332
Changes in assumptions or inputs	285,563	189,410	253,984	265,154
Benefit payments	<u>(340,043)</u>	<u>(321,707)</u>	<u>(321,707)</u>	<u>(332,021)</u>
Balance, end of year	<u>\$ 3,295,276</u>	<u>\$ 3,149,456</u>	<u>\$ 3,058,737</u>	<u>\$ 2,977,171</u>
Covered payroll	\$ 692,125	\$ 673,426	\$ 655,046	\$ 642,203
Liability as a percentage of covered payroll	476.11%	467.68%	466.95%	463.59%

Schedule is intended to show information for ten years. Data not available prior to the 2019 implementation of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.



**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
With Government Auditing Standards**

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

We have audited, 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, the financial statements of the Incorporated Village of Greenport, New York - Electric Department (Department) (an enterprise fund of the Incorporated Village of Greenport, New York), as of and for the year ended May 31, 2022, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated October 13, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BST + Co. CPAs, LLP

Albany, New York
October 13, 2022

