



INCORPORATED VILLAGE OF NORTHPORT

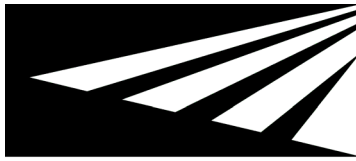
**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**AS OF AND FOR THE YEAR ENDED
FEBRUARY 28, 2023**

TOGETHER WITH AUDITOR'S REPORTS

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AS OF AND FOR THE YEAR ENDED
FEBRUARY 28, 2023**

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NawrockiSmith

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Incorporated Village of Northport:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Incorporated Village of Northport (the "Village") as of and for the year ended February 28, 2023, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Incorporated Village of Northport, as of February 28, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Incorporated Village of Northport, 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 opinions.

Responsibilities of Management for the Financial Statements

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

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

NawrockiSmith

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Change in Accounting Principle

As described in Note 3 to the financial statements, in fiscal 2023 the Village adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. The effect of this GASB Statement No. 87 did not require a restatement to the financial statements and was handled prospectively. Our opinion is not modified with respect to this matter.

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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 4-15 and 50-55, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2023, 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 Village's internal control over financial reporting and compliance.

Hauppauge, New York
October 17, 2023

**INCORPORATED VILLAGE OF NORTHPORT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2023**

The following is a discussion and analysis of the Incorporated Village of Northport’s (the “Village”) financial performance for the fiscal year ended February 28, 2023. This section is a summary of the Village’s financial activities based on currently known facts, decisions or conditions. It is also based on both the Village-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the Village’s financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- During the fiscal year, the Village adopted new accounting guidance, Governmental Accounting Standards Board (“GASB”) Statement No. 87, Leases, which provides clearer guidance on identifying lease activities for accounting and reporting purposes.
- The Village’s governmental activities total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$13,098,330 (total net position). This consists of \$26,601,832 invested in capital assets, net of related debt, \$3,055,614 restricted for capital projects and the service award program, and a deficit unrestricted portion of \$16,559,116.
- The Village’s net position increased \$3,988,788 in 2023.
- The Village’s total outstanding bonded indebtedness decreased \$50,000 as a result of current year debt service payments.
- Total Village revenues from governmental activities increased \$757,483 (primarily due to increased charges for services, fees, fines and forfeitures, real property taxes and operating grants, offset by decreased other state aid, use of money and property and capital grants) and expenses decreased \$1,385,165 (primarily due to decreased public safety, transportation and general government, offset by increased culture and recreation and home and community services.
- The Village’s General Fund fund balance increased \$340,189, compared to an increase of \$926,528 in the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts: required supplementary information including management’s discussion and analysis (this section) and the basic financial statements. The financial statements include two kinds of financial statements that present different views of the Village:

- The first two financial statements are *Village-wide financial statements* that provide both *short-term* and *long-term* information about the Village’s *overall* financial status.
- The remaining financial statements are *fund financial statements* that focus on *individual parts* of the Village, reporting the Village’s operations in *more detail* than the Village-wide financial statements. The *fund financial statements* tell how programs were financed in the *short-term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Village’s budget for the year.

**INCORPORATED VILLAGE OF NORTHPORT
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)**

Table A-1 summarizes the major features of the Village’s financial statements, including the portion of the Village’s activities they cover and the types of information they contain. The remainder of this overview section of Management’s Discussion and Analysis highlights the structure and contents of each of the financial statements.

Table A-1: Major Features of the Village-Wide and Fund Financial Statements		
	Village-Wide Financial Statements	Fund Financial Statements
		Governmental Funds
Scope	Entire Village	The activities of the Village that are not proprietary or fiduciary
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

Village-Wide Financial Statements

The Village-wide financial statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Village’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year’s revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Village-wide financial statements report the Village’s net position and how they have changed. Net position - the difference between the Village’s assets, deferred outflows of resources, liabilities and deferred inflows of resources - is one way to measure the Village’s financial health or *position*.

- Over time, increases or decreases in the Village’s net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Village’s overall health, you need to consider additional non-financial factors such as availability of Federal funding and the condition of buildings and other facilities.

**INCORPORATED VILLAGE OF NORTHPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

In the Village-wide financial statements, the Village's activities are shown as *governmental activities*; most of the Village's basic services are included here. Property taxes, charges for services, operating grants and capital grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Village's funds, focusing on its most significant or "major" funds - not the Village as a whole. Funds are accounting devices the Village uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The Village establishes other funds to control and to manage money for particular purposes or to show that it is properly using certain revenues (such as Federal grants).

The Village uses governmental funds to account for its transactions:

- *Governmental funds*: Most of the Village's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the fund financial statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the Village-wide financial statements, reconciliations of the Village-wide and fund financial statements are provided which explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Financial Highlights:

Net position:

The Village's total assets and deferred outflows of resources on February 28, 2023 were \$46,938,660, an increase of \$497,391 over the prior year. Total liabilities and deferred inflows of resources were \$33,840,330, a decrease of \$3,491,397 from the prior year. The result is a net position of \$13,098,330, an increase of \$3,988,788 over the prior year.

- Working capital of \$5,237,784 as of February 28, 2023, as compared with \$4,568,426 in 2022.

**INCORPORATED VILLAGE OF NORTHPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

- Net position increased \$3,988,788 for the year ended February 28, 2023. The increase is the result of the following: a decrease in net investment in capital assets; a decrease in restricted net position from changes in assets held for the length of service award program ("LOSAP"); and a decrease in unrestricted net deficit as a result of reported changes in liabilities for the total OPEB liability, the net pension asset/(liability) and the total pension liability for LOSAP. As shown below, noncurrent liabilities decreased \$4,764,203.

Table A-2: Condensed Statements of Net Position - Governmental Activities

	<u>2/28/23</u>	<u>2/28/22</u>	<u>\$ Change</u>	<u>% Change</u>
Current and other assets	\$ 11,711,821	\$ 9,567,991	\$ 2,143,830	22.4
Capital assets, net	<u>27,563,514</u>	<u>27,735,118</u>	<u>(171,604)</u>	(0.6)
Total assets	<u>\$ 39,275,335</u>	<u>\$ 37,303,109</u>	<u>\$ 1,972,226</u>	5.3
Deferred outflows of resources	<u>\$ 7,663,325</u>	<u>\$ 9,138,160</u>	<u>\$ (1,474,835)</u>	(16.1)
Current liabilities	\$ 1,746,263	\$ 1,754,822	\$ (8,559)	(0.5)
Noncurrent liabilities	<u>23,460,767</u>	<u>28,224,970</u>	<u>(4,764,203)</u>	(16.9)
Total liabilities	<u>\$ 25,207,030</u>	<u>\$ 29,979,792</u>	<u>\$ (4,772,762)</u>	(15.9)
Deferred inflows of resources	<u>\$ 8,633,300</u>	<u>\$ 7,351,935</u>	<u>\$ 1,281,365</u>	17.4
Net position:				
Net investment in capital assets	\$ 26,601,832	\$ 26,658,478	\$ (56,646)	(0.2)
Restricted	3,055,614	3,142,173	(86,559)	(2.8)
Unrestricted	<u>(16,559,116)</u>	<u>(20,691,109)</u>	<u>4,131,993</u>	20.0
Total net position (deficit)	<u>\$ 13,098,330</u>	<u>\$ 9,109,542</u>	<u>\$ 3,988,788</u>	43.8

**INCORPORATED VILLAGE OF NORTHPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Change in Net Position

The Village's program revenues for the year ended February 28, 2023 were \$4,097,223, an increase of \$730,049 from 2022, which is primarily related to an increase in charges for services, fees, fines and forfeitures (see Table A-3 below). Total revenues were \$19,330,753, which is an increase of \$757,483. Expenses decreased \$1,385,165 as a result of decreases primarily related to public safety, transportation and general government and the impact of changes in the net pension asset/(liability), total OPEB liability and total pension liability related to LOSAP. This resulted in an increase in net position for the year ended February 28, 2023 of \$3,988,788. The table below outlines a comparison of revenues and expenses for the Village for the years ended February 28, 2023 and 2022:

	<u>2/28/23</u>	<u>2/28/22</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Program revenues:				
Charges for services, fees, fines and forfeitures	\$ 3,265,395	\$ 2,649,257	\$ 616,138	23.3
Operating grants	424,346	232,561	191,785	82.5
Capital grants	407,482	485,356	(77,874)	(16.0)
General revenues:				
Real property taxes	13,250,068	12,990,000	260,068	2.0
Other tax items	41,035	107,285	(66,250)	(61.8)
Non-property tax items	1,299,529	1,216,025	83,504	6.9
Use of money and property	118,983	225,600	(106,617)	(47.3)
Sale of property and compensation for loss	196,002	112,962	83,040	73.5
Mortgage tax	235,241	273,211	(37,970)	(13.9)
Other state aid	78,889	256,922	(178,033)	(69.3)
Miscellaneous	13,783	24,091	(10,308)	(42.8)
Total revenues	<u>19,330,753</u>	<u>18,573,270</u>	<u>757,483</u>	4.1
Expenses				
General government	2,573,769	2,968,892	(395,123)	(13.3)
Public safety	8,227,134	8,883,480	(656,346)	(7.4)
Health	1,140	-	1,140	100.0
Transportation	1,858,727	2,323,418	(464,691)	(20.0)
Economic opportunity and assistance	11,408	182	11,226	6,168.1
Culture and recreation	627,957	530,358	97,599	18.4
Home and community services	2,026,649	1,998,924	27,725	1.4
Interest on debt	15,181	21,876	(6,695)	(30.6)
Total expenses	<u>15,341,965</u>	<u>16,727,130</u>	<u>(1,385,165)</u>	(8.3)
Change in net position	3,988,788	1,846,140	2,142,648	116.1
Total net position, beginning of year	<u>9,109,542</u>	<u>7,263,402</u>	<u>1,846,140</u>	25.4
Total net position, end of year	<u>\$ 13,098,330</u>	<u>\$ 9,109,542</u>	<u>\$ 3,988,788</u>	43.8

**INCORPORATED VILLAGE OF NORTHPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Significant elements of the changes in Village-wide revenues and expenses were as follows:

- Charges for services increased \$616,138, primarily due to increases in various categories of fees and fines and forfeitures.
- Operating grants increased \$191,785 primarily due to COVID related grants being received during the year.
- Capital grants decreased \$77,874 primarily due to less state grants being received related to ongoing capital projects.
- Revenues from property taxes and other tax items, primarily interest and fees, increased as a result of an increase in the budgeted tax levy for fiscal 2022-23. The tax rate increased slightly, and the assessed value of properties for the Village also increased year over year.
- Revenues from non-property tax items increased \$83,504 due to increased sales taxes.
- General government, public safety and transportation expenses all decreased primarily due to the allocation of the changes in the pension liabilities and related items.
- Interest on debt decreased from \$21,876 to \$15,181 or \$6,695. The Village's debt service is expected to continue to decrease as the existing debt is reduced, excluding any future projects financed with debt.

**INCORPORATED VILLAGE OF NORTHPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Table A-4: Sources of Revenues for Fiscal Year 2023

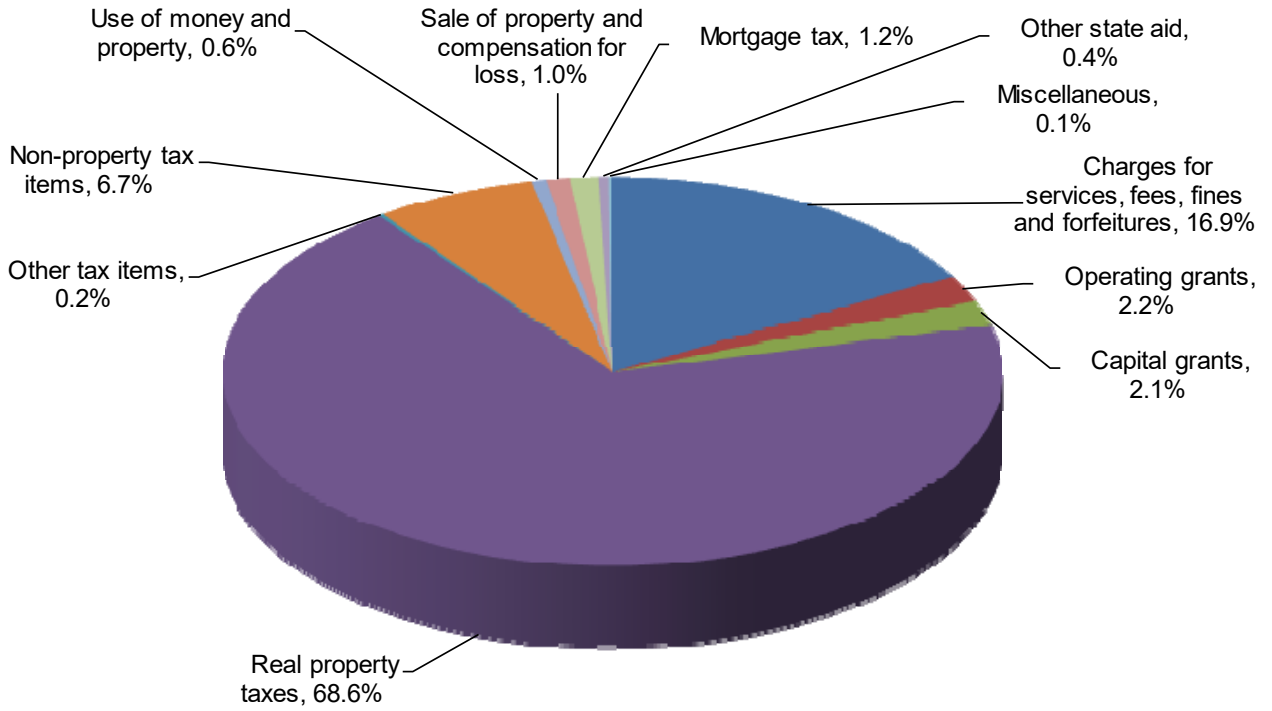
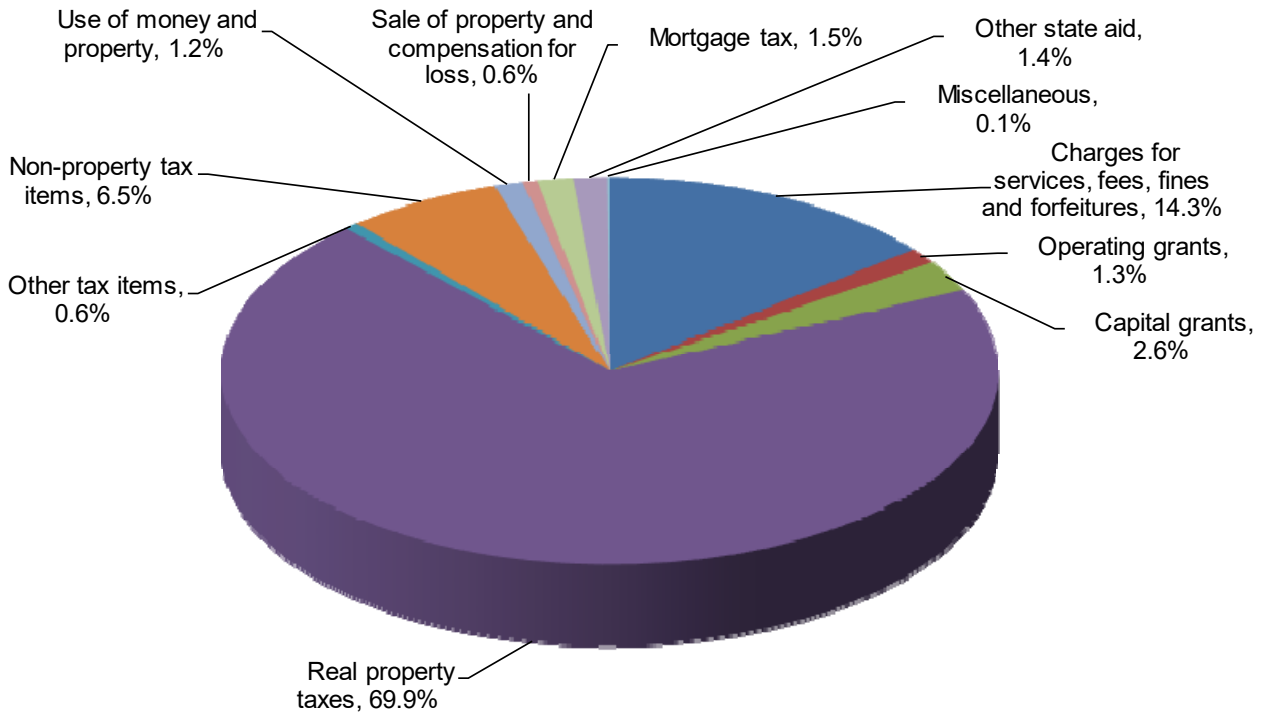


Table A-5: Sources of Revenues for Fiscal Year 2022



**INCORPORATED VILLAGE OF NORTHPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Table A-6: Expenses for Fiscal Year 2023

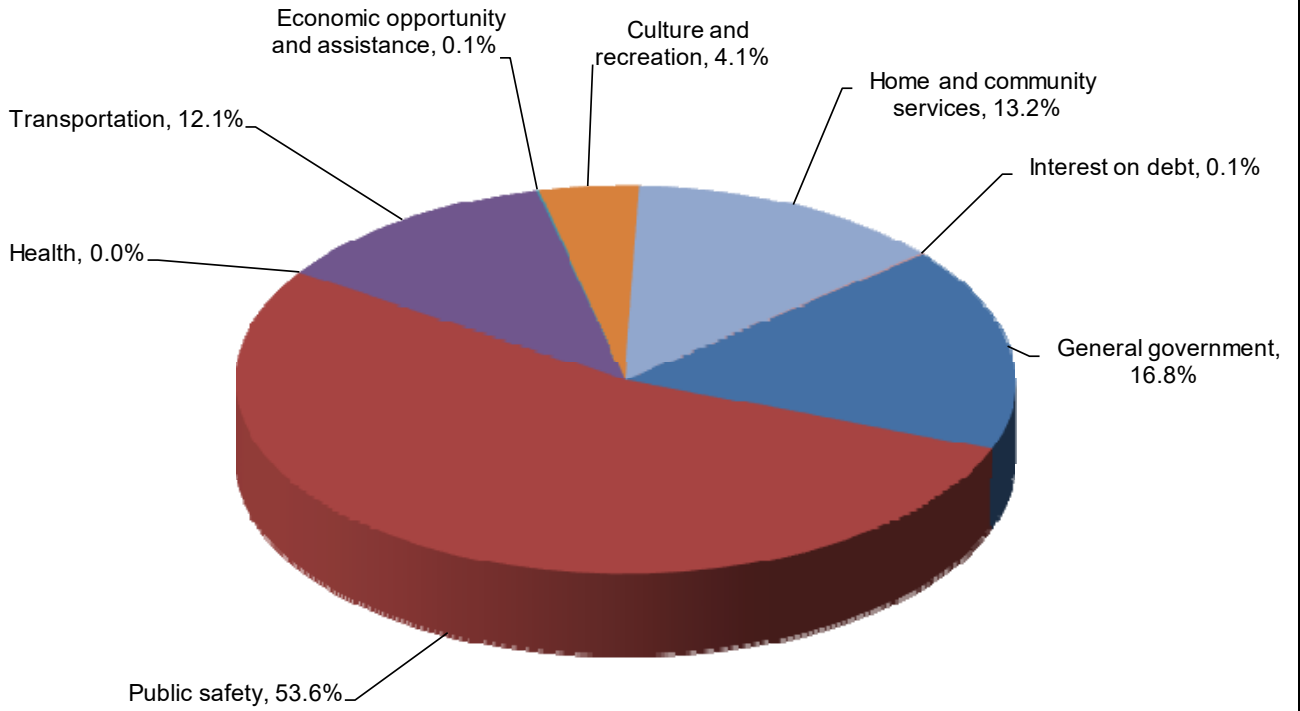
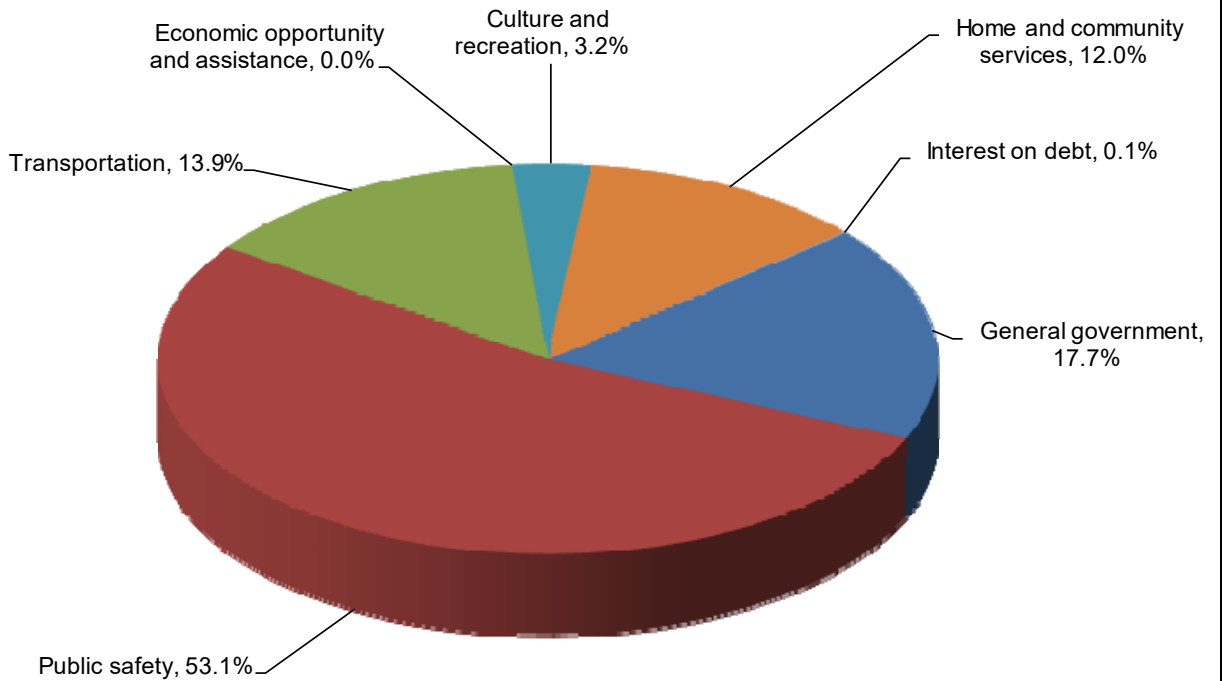


Table A-7: Expenses for Fiscal Year 2022



**INCORPORATED VILLAGE OF NORTHPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Governmental Activities

Revenues for the Village's governmental activities were consistent with the Village-wide operating results. Governmental expenditures exceed Village-wide expenditures due principally to payment for capital assets and long-term debt.

The primary program activities of the Village included:

- Police enforcement
- Fire protection
- Street maintenance
- Street lighting
- Snow removal
- Recreational activities
- Code enforcement
- Refuse disposal
- Sewage treatment
- Zoning

Substantially all of the Village's revenues are generated through real property taxes, charges for services, non-property tax items, operating grants and capital grants.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Governmental Funds

Variances between years for the fund financial statements are not the same as variances between years for the Village-wide financial statements. The Village's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets and the current payments for debt.

The Village's fund financial statements show the following variations year over year:

- General Fund total assets decreased \$138,996. The decrease was primarily due to a decrease in due from other funds, offset by increases in cash and accounts receivable.
- General Fund total liabilities decreased \$187,309 due to decreases in accounts payable and other liabilities.
- General Fund reported an excess of revenues over expenditures, before other financing sources (uses), of \$1,798,396, compared to \$1,865,244 in 2022. Total change in fund balance including all sources was an increase of \$340,189, compared to an increase of \$926,258 in the previous year.
- General Fund expenditures increased \$454,580 primarily due to increases in public safety, culture and recreation and transportation expenses, offset by decreases in general government and debt service - principal expenses.
- General Fund other financing uses were \$1,458,207 primarily as a result of transfers out to the Sewer Fund and Capital Projects Fund. This was \$539,400 more than the prior year.

**INCORPORATED VILLAGE OF NORTHPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

- Sewer Fund total assets decreased \$144,523 as a result of decreases in cash and accounts receivable, offset by an increase in due from other funds.
- Sewer Fund total liabilities decreased \$139,268 as a result of a decrease in due to other funds, offset by increases in accounts payable and accrued expenses.

As of February 28, 2023, the Village's governmental funds had a combined fund balance of \$9,392,702, which is an increase of \$944,188 from the previous year. Fund balances for the Village's governmental funds for the past two years were distributed as follows:

	<u>2/28/23</u>	<u>2/28/22</u>	<u>\$ Change</u>	<u>% Change</u>
General Fund	\$ 9,269,550	\$ 8,929,361	\$ 340,189	3.8
Sewer Fund	80,164	85,419	(5,255)	(6.2)
Capital Projects Fund	<u>42,988</u>	<u>(566,266)</u>	<u>609,254</u>	107.6
Total fund balances	<u>\$ 9,392,702</u>	<u>\$ 8,448,514</u>	<u>\$ 944,188</u>	11.2

General Fund Budgetary Highlights

Reference is made to the budget vs. actual schedules on pages 50 and 51 which presents budget and actual results for the Village's General Fund and Sewer Fund.

- Actual revenues (before appropriations of fund balance) in the General Fund were more than budgeted revenues by \$749,628 primarily due to greater than expected revenues in most categories.
- Actual expenditures in the General Fund were less than budgeted by \$1,478,994 (including encumbrances of \$270,568) primarily due to less than anticipated spending in public safety, transportation and home and community services.
- Actual revenues in the Sewer Fund were less than budgeted by \$9,824 due to less departmental income than anticipated.
- Actual expenditures in the Sewer Fund were less than anticipated by \$6,323 (including encumbrances of \$31,260) due to lower than budgeted spending on home and community service expenditures.

**INCORPORATED VILLAGE OF NORTHPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2023, the Village had invested \$27,563,514, net of depreciation, in a broad range of capital assets.

Table A-9: Capital Assets (net of depreciation)				
	<u>2/28/23</u>	<u>2/28/22</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 1,655,294	\$ 1,655,294	\$ -	0.0
Construction-in-progress	3,830,984	3,710,685	120,299	3.2
Land improvements	21,245	29,827	(8,582)	(28.8)
Buildings and building improvements	9,693,693	10,027,446	(333,753)	(3.3)
Machinery and equipment	1,786,857	1,719,848	67,009	3.9
Vehicles	1,758,358	1,510,434	247,924	16.4
Right-of-use leased assets	11,552	-	11,552	100.0
Infrastructure	8,805,531	9,081,584	(276,053)	(3.0)
Totals	<u>\$ 27,563,514</u>	<u>\$ 27,735,118</u>	<u>\$ (171,604)</u>	(0.6)

Long-Term Liabilities

At year-end, the Village had total long-term liabilities of \$24,091,020.

The Village's bond rating is AA+ according to Standard and Poor's Ratings Services.

The Village's current outstanding bonded indebtedness was \$645,000 as of February 28, 2023. The EFC note payable outstanding was \$305,000 as of February 28, 2023.

Pursuant to New York State Local Finance Law §104, the Village's outstanding long-term debt must be no more than 7% of the five-year average full valuation of real property. This is also known as the "constitutional debt limit". At February 28, 2023, the Village had not exhausted any of its limit.

In accordance with GASB Statement No. 68, the Village has accrued \$438,752 for their proportionate share of the New York State Local Retirement Systems net pension liability. The Villages make a yearly payment for their proportionate share of the pension's funds expense. See Note 10 in the notes to financial statements for more detailed information.

In accordance with GASB Statement No. 75, the Village has accrued \$14,425,522 for their total OPEB liability. See Note 11 in the notes to financial statements for more detailed information.

In accordance with GASB Statement No. 73, the Village has accrued \$5,777,176 for their total pension liability relating to the length of service award program. See Note 13 in the notes to financial statements for more detailed information.

**INCORPORATED VILLAGE OF NORTHPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Table A-10: Long-Term Liabilities

	<u>2/28/23</u>	<u>2/28/22</u>	<u>\$ Change</u>	<u>% Change</u>
Bonds payable, net	\$ 645,000	\$ 695,000	\$ (50,000)	(7.2)
EFC note payable	305,000	381,640	(76,640)	(20.1)
Leases payable	11,682	-	11,682	100.0
Net pension liability	438,752	1,378,095	(939,343)	(68.2)
Total OPEB liability	14,425,522	16,601,809	(2,176,287)	(13.1)
Total pension liability - LOSAP	5,777,176	7,240,572	(1,463,396)	(20.2)
Compensated absences	<u>2,487,888</u>	<u>2,568,117</u>	<u>(80,229)</u>	(3.1)
Totals	<u>\$ 24,091,020</u>	<u>\$ 28,865,233</u>	<u>\$ (4,774,213)</u>	(16.5)

FACTORS BEARING ON THE FUTURE OF THE VILLAGE

At the time these financial statements were prepared and audited, the Village was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The Village's elected and appointed officials considered many factors when setting the year 2023-24 budget, tax rates, and fees that will be charged. One of those factors is the economy. The Village, located in Suffolk County, NY generally has more favorable financial statistical data than the County or New York State. These factors provide a stable tax environment enabling the Village to reliably project tax revenue.
- The "Tax Levy Limitation Law" which was enacted on June 24, 2011 restricts the amount of property taxes that may be levied by or on behalf of a Village in a particular year. Although there are exceptions, exemptions and overrides to the limitation, the new Law is expected to make budgetary decisions more difficult. The limitation does not provide exclusion for debt service on general obligations issued by the Village. Accordingly, the Village has taken the appropriate steps to opt out of the applicable cap.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Village's citizens, taxpayers, customers and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

Attention: Village Treasurer
Incorporated Village of Northport
224 Main Street
Northport, New York 11768
(631) 261-7502

INCORPORATED VILLAGE OF NORTHPORT
STATEMENT OF NET POSITION
FEBRUARY 28, 2023

ASSETS	
Cash:	
Unrestricted	\$ 5,773,051
Restricted	871,642
Service awards program assets	3,012,626
Receivables:	
Accounts receivable	795,181
Taxes	209,444
Prepaid expenses	206,371
Net pension asset - proportionate share	843,506
Non-depreciable capital assets	5,486,278
Depreciable capital assets, net	<u>22,077,236</u>
Total assets	<u>39,275,335</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	6,121,605
LOSAP related	<u>1,541,720</u>
Total deferred outflows of resources	<u>7,663,325</u>
LIABILITIES	
Payables:	
Accounts payable	300,798
Accrued expenses	263,898
Accrued interest payable	5,997
Other liabilities	172,344
Unearned revenues	372,973
Liabilities due within one year:	
Bonds payable	50,000
EFC note payable	75,000
Leases payable	7,675
Compensated absences	497,578
Liabilities due in more than one year:	
Bonds payable	595,000
EFC note payable	230,000
Leases payable	4,007
Net pension liability - proportionate share	438,752
Total OPEB liability	14,425,522
Total pension liability - LOSAP	5,777,176
Compensated absences	<u>1,990,310</u>
Total liabilities	<u>25,207,030</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related	6,708,775
LOSAP related	<u>1,924,525</u>
Total deferred inflows of resources	<u>8,633,300</u>
NET POSITION	
Net investment in capital assets	26,601,832
Restricted:	
Service award program	3,012,626
Capital projects	42,988
Unrestricted	<u>(16,559,116)</u>
Total net position	<u>\$ 13,098,330</u>

The accompanying notes are an integral
part of this statement.

**INCORPORATED VILLAGE OF NORTHPORT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2023**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services, Fees, Fines and Forfeitures</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>
Functions and programs:					
Primary government -					
General government	\$ 2,573,769	\$ 167,046	\$ -	\$ -	\$ (2,406,723)
Public safety	8,227,134	2,110,483	273,124	162,567	(5,680,960)
Health	1,140	-	-	-	(1,140)
Transportation	1,858,727	69,880	-	244,915	(1,543,932)
Economic opportunity and assistance	11,408	-	-	-	(11,408)
Culture and recreation	627,957	442,803	-	-	(185,154)
Home and community services	2,026,649	475,183	151,222	-	(1,400,244)
Debt service - interest	15,181	-	-	-	(15,181)
Total primary government	<u>\$ 15,341,965</u>	<u>\$ 3,265,395</u>	<u>\$ 424,346</u>	<u>\$ 407,482</u>	<u>(11,244,742)</u>
General revenues:					
Real property taxes					13,250,068
Other tax items					41,035
Non-property tax items					1,299,529
Mortgage tax					235,241
State aid - unrestricted					78,889
Use of money and property					118,983
Sale of property and compensation for loss					196,002
Miscellaneous					13,783
Total general revenues					<u>15,233,530</u>
Change in net position					3,988,788
Total net position, beginning of year					<u>9,109,542</u>
Total net position, end of year					<u>\$ 13,098,330</u>

The accompanying notes are an integral
part of this statement.

**INCORPORATED VILLAGE OF NORTHPORT
BALANCE SHEET - GOVERNMENTAL FUNDS
FEBRUARY 28, 2023**

	Major Funds			
	General Fund	Special Revenue Fund		Total Governmental Funds
		Sewer Fund	Capital Projects Fund	
ASSETS				
Cash:				
Unrestricted	\$ 5,755,689	\$ 17,362	\$ -	\$ 5,773,051
Restricted	-	-	871,642	871,642
Service awards program assets	3,012,626	-	-	3,012,626
Receivables:				
Accounts receivable	654,885	140,296	-	795,181
Taxes	209,444	-	-	209,444
Due from other funds	30,143	13,618	-	43,761
Prepaid expenses	206,371	-	-	206,371
Total assets	\$ 9,869,158	\$ 171,276	\$ 871,642	\$ 10,912,076
LIABILITIES				
Payables:				
Accounts payable	\$ 221,317	\$ 64,991	\$ 14,490	\$ 300,798
Accrued expenses	192,329	26,121	45,448	263,898
Due to other funds	13,618	-	30,143	43,761
Other liabilities	172,344	-	-	172,344
Total liabilities	599,608	91,112	90,081	780,801
DEFERRED INFLOWS OF RESOURCES				
American Rescue Plan Act funding	-	-	372,973	372,973
Deferred revenue	-	-	365,600	365,600
Total deferred inflows of resources	-	-	738,573	738,573
FUND BALANCE				
Fund balance:				
Nonspendable	206,371	-	-	206,371
Restricted	3,012,626	-	42,988	3,055,614
Assigned	2,089,948	80,164	-	2,170,112
Unassigned	3,960,605	-	-	3,960,605
Total fund balance	9,269,550	80,164	42,988	9,392,702
Total liabilities, deferred inflows of resources and fund balance	\$ 9,869,158	\$ 171,276	\$ 871,642	\$ 10,912,076

The accompanying notes are an integral
part of this balance sheet.

**INCORPORATED VILLAGE OF NORTHPORT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FEBRUARY 28, 2023**

Total Fund Balance - Governmental Funds \$ 9,392,702

Amounts reported for governmental activities in the Statement of Net Position are different due to the following:

Capital assets less accumulated depreciation are included in the Statement of Net Position:

Capital assets:		
Non-depreciable	\$ 5,486,278	
Depreciable	43,873,554	
Accumulated depreciation	<u>(21,796,318)</u>	27,563,514

Long-term liabilities applicable to the Village's governmental activities are not due and payable in the current period and accordingly are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position:

Bonds payable, net	(645,000)	
EFC note payable	(305,000)	
Leases payable	(11,682)	
Compensated absences	<u>(2,487,888)</u>	(3,449,570)

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

Net pension asset - proportionate share	843,506	
Deferred outflows of resources - pension related	6,121,605	
Net pension liability - proportionate share	(438,752)	
Deferred inflows of resources - pension related	<u>(6,708,775)</u>	(182,416)

Total OPEB liability, deferred outflows of resources and deferred inflows of resources associated with the total OPEB liability are not current financial resources or obligations and are not reported in the funds.

Total OPEB liability		(14,425,522)
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Total pension liability related to LOSAP, deferred outflows of resources and deferred inflows of resources associated with LOSAP are not current financial resources or obligations and are not reported in the funds.

Deferred outflows of resources - LOSAP	1,541,720	
Total pension liability - LOSAP	(5,777,176)	
Deferred inflows of resources - LOSAP	<u>(1,924,525)</u>	(6,159,981)

Revenues that do not meet the availability criteria under the modified accrual basis of accounting are included in the Statement of Net Position.		365,600
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Interest payable applicable to the Village's governmental activities are not due and payable in the current period and accordingly are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position.		<u>(5,997)</u>
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Net Position - Governmental Activities		<u><u>\$ 13,098,330</u></u>
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The accompanying notes are an integral part of this statement.

INCORPORATED VILLAGE OF NORTHPORT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED FEBRUARY 28, 2023

	Major Funds			
	General Fund	Special Revenue Fund		Total Governmental Funds
		Sewer Fund	Capital Projects Fund	
REVENUES				
Real property taxes	\$ 13,250,068	\$ -	\$ -	\$ 13,250,068
Other tax items	41,035	-	-	41,035
Non-property tax items	1,299,529	-	-	1,299,529
Departmental income	382,430	458,171	-	840,601
Intergovernmental revenue	1,743,447	-	-	1,743,447
Fines and forfeitures	172,991	-	-	172,991
Use of money and property	118,977	5	1	118,983
Licenses and permits	149,315	-	-	149,315
State and local aid	738,601	126,851	-	865,452
Federal aid	280,506	-	-	280,506
Sale of property and compensation for loss	200,813	-	-	200,813
Miscellaneous	13,783	-	-	13,783
Total revenues	18,391,495	585,027	1	18,976,523
EXPENDITURES				
Current -				
General government	2,059,931	90,169	-	2,150,100
Public safety	6,724,540	-	-	6,724,540
Health	1,140	-	-	1,140
Transportation	1,921,830	-	-	1,921,830
Economic opportunity and assistance	11,408	-	-	11,408
Culture and recreation	526,916	-	-	526,916
Home and community services	963,562	889,034	-	1,852,596
Employee benefits	4,375,078	28,250	-	4,403,328
Capital outlay	-	-	309,883	309,883
Debt service -				
Principal	8,497	126,640	-	135,137
Interest	197	15,439	-	15,636
Total expenditures	16,593,099	1,149,532	309,883	18,052,514
Excess (deficiency) of revenues over (under) expenditures	1,798,396	(564,505)	(309,882)	924,009
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of leases	20,179	-	-	20,179
Transfers in	-	559,250	919,136	1,478,386
Transfers out	(1,478,386)	-	-	(1,478,386)
Total other financing sources (uses)	(1,458,207)	559,250	919,136	20,179
Change in fund balance	340,189	(5,255)	609,254	944,188
Fund balance, beginning of year	8,929,361	85,419	(566,266)	8,448,514
Fund balance, end of year	<u>\$ 9,269,550</u>	<u>\$ 80,164</u>	<u>\$ 42,988</u>	<u>\$ 9,392,702</u>

The accompanying notes are an integral part of this statement.

INCORPORATED VILLAGE OF NORTHPORT
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2023

Net Change in Fund Balance - Governmental Funds \$ 944,188

Governmental funds report capital outlays 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. The amount by which depreciation expense exceeds capital outlay in the current period is:

Capital outlay, net	\$ 1,581,559	
Depreciation expense	<u>(1,753,163)</u>	(171,604)

Revenues not available to pay for current period expenditures and, therefore, are deferred in the governmental funds Balance Sheet are recognized in the Statement of Activities. 354,230

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

Proceeds from issuance of leases	(20,179)	
Repayment of bond principal	50,000	
Repayment of EFC note payable	76,640	
Repayment of leases payable	<u>8,497</u>	114,958

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:

Compensated absences	80,229	
Accrued interest costs	<u>455</u>	80,684

Changes in the proportionate share of the collective pension expense of the State retirement plans reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

Net pension asset - proportionate share	843,506	
Deferred outflows of resources - pension related	(1,358,271)	
Net pension liability - proportionate share	939,343	
Deferred inflows of resources - pension related	<u>160,609</u>	585,187

Changes in the amounts related to the total OPEB liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

Total OPEB liability		2,176,287
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Changes in the amounts related to the total pension liability related to the LOSAP plan reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

Deferred outflows of resources - LOSAP	(116,564)	
Total pension liability - LOSAP	1,463,396	
Deferred inflows of resources - LOSAP	<u>(1,441,974)</u>	<u>(95,142)</u>

Net Change in Net Position - Governmental Activities \$ 3,988,788

The accompanying notes are an integral part of this statement.

**INCORPORATED VILLAGE OF NORTHPORT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Incorporated Village of Northport (the "Village") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

A. Financial reporting entity

The Incorporated Village of Northport, which was incorporated in 1894 and is governed by its Charter, New York State Village Law and other general laws of the State of New York and various local laws. The Village Board of Trustees is the legislative body responsible of the overall operation of the Village. The Mayor serves as Chief Executive Officer and the Treasurer serves as Chief Fiscal Officer. The Mayor and the Board of Trustees appoint the Village Treasurer who serves as the Chief Fiscal Officer of the Village. The Mayor, with ratification by the Board of Trustees, annually appoints the principal department heads.

The Village provides a full range of municipal services including general support, public safety, health, transportation, economic assistance and opportunity, culture and recreation, and home and community service.

The financial reporting entity of the Village consists of (a) the primary government which is the Incorporated Village of Northport, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB.

B. Basis of presentation

1. Village-wide financial statements

The Statement of Net Position and the Statement of Activities present financial information about the Village's governmental activities. These financial statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital specific (when applicable).

The Statement of Activities presents a comparison between program expenses and revenues for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits depreciation and amortization expense, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

INCORPORATED VILLAGE OF NORTHPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Fund financial statements

The fund financial statements provide information about the Village's funds. Separate financial statements for each fund category (governmental and fiduciary) are presented as applicable. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Village records its transactions in the fund types described below:

- a. Governmental funds - are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon the determination of financial position and changes in financial position (the sources, uses and balances of current financial resources). The following are the Village's governmental fund types:

Major Funds:

General Fund - the principal operating fund which includes all operations not required to be recorded in other funds.

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

Sewer Fund - used to account for sewage treatment operations not required to be accounted for on an enterprise basis. The financing is provided by Local Law 7 of 2010 to be 25% of estimated operational costs by sewer rents, contracts with the Village of Huntington and the balance by an operating transfer from the General Fund.

Capital Projects Fund - used to account for financial resources to be used for the acquisition, construction or resurfacing of major capital facilities and equipment.

C. Measurement focus and basis of accounting

Basis of accounting refers to when revenues and expenditures/expenses and the related assets, deferred outflows of resources, liabilities and deferred inflows of resources, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

Modified accrual basis - the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Village considers all revenues reported in the governmental funds to be available if the revenues are collected within a reasonable period of time after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 90 days after the end of the fiscal year.

INCORPORATED VILLAGE OF NORTHPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, installment purchase debt, other post-employment benefits, amortized retirement costs, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Material revenues that are accrued include real property taxes, State and Federal aid, sales tax and certain user charges. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made and the resources are available.

Accrual basis - the Village-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Village gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Fixed assets and long-term liabilities related to these activities are recorded within the funds.

D. Property taxes

Real property taxes are levied annually no later than February 1st, and become a lien on March 1st. Taxes are levied based upon the taxable value of all real property located within the Village. Taxes are recorded as a receivable on March 1st, and are payable in full without penalty to March 31st, each year. Thereafter, penalties and interest are imposed pursuant to the Real Property Tax Law. After certification and return of the tax warrant to the Board of Trustees of the uncollected tax items, an annual sale of the tax liens is held pursuant to the provisions of the Real Property Tax Law. Tax Sale Certificates are issued for all uncollected property tax liens. Delinquent taxes not received within 60 days of year-end are recorded as deferred inflows of resources.

E. Interfund transactions

Interfund transactions have been eliminated from the Village-wide financial statements. In the fund financial statements, interfund transactions include:

1. Interfund revenues

Interfund revenues represent amounts charged for services or facilities provided by one fund to another fund. The amounts paid by the fund receiving the benefits of the service or facilities are reflected as an expenditure of the fund receiving the service, are reflected as an expenditure of that fund.

2. Transfers

Transfers represent primarily budgeted appropriations to the operations of other governmental funds and also for payment of certain debt service items.

**INCORPORATED VILLAGE OF NORTHPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

F. Cash and cash equivalents

Cash consists of funds deposited in demand accounts, time deposit accounts and certificates of deposit with maturities of less than three months from the date acquired by the Village.

G. Receivables

Receivables include amounts due from New York State and other governments or entities for services provided by the Village. Receivables are recorded and revenues are recognized as earned or as specific program expenditures are incurred. All receivables are deemed collectable; therefore no allowance account has been established.

H. Restricted assets

Certain assets are classified as restricted assets because their use is restricted by contractual agreements and/or regulations.

I. Capital assets

Capital assets are reported at actual cost or estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the Village-wide financial statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land improvements	\$2,000	Straight line	20 years
Building and building improvements	\$2,000	Straight line	25-50 years
Infrastructure	\$2,000	Straight line	10-65 years
Machinery and equipment	\$2,000	Straight line	5-15 years
Licensed vehicles	\$2,000	Straight line	8 years

J. Right-of-use-assets

The Village has recorded right-of-use lease assets as a result of implementing GASB Statement No. 87. The right-of-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-of-use assets are amortized on a straight-line basis over the life of the related lease.

K. Deferred outflows

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

INCORPORATED VILLAGE OF NORTHPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

L. Deferred inflows/unearned revenues

Deferred inflows of resources are defined as an acquisition of net position by the government that is applicable to future periods. Deferred inflows are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues arise when the Village receives resources before it has legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the Village has legal claim to the resources, the deferred inflow/unearned revenue is removed and revenues are recorded.

M. Long-term obligations

The liabilities for long-term obligations consisting of general long-term debt, installment purchase debt, due to employees' retirement system, proportionate share of the net pension liability, other post-employment benefit obligations and compensated absences are recognized in the Village-wide financial statements. Bond premiums, discounts and any prepaid bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method, and bond issuance costs are recognized as an expense in the period incurred. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, long-term obligations are not reported as liabilities. The debt proceeds (when applicable) are reported as other financing sources and payment of principal and interest are reported as expenditures when paid.

N. Compensated absences

The liability for vested or accumulated vacation or sick leave (compensated absences) is recorded as current and noncurrent obligations in the Village-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, only the compensated absence liability payable from expendable available financial resources is incurred. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Vested vacation and sick leave is recorded in governmental funds as a fund liability and expenditures, if payable from current resources.

O. Post-employment benefits

In addition to providing pension benefits, the Village provides health insurance coverage and survivor benefits for retired employees and their survivors that meet the requirements within the Village's policies. Substantially all of the Village's employees may become eligible for these benefits if they reach normal retirement age while working for the Village. Health care benefits and survivor benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Village recognizes the cost of providing benefits by recording its share of insurance premiums as expenditures in the year paid. The liability for other post-employment benefits is recorded as a long-term obligation in the Village-wide financial statements.

INCORPORATED VILLAGE OF NORTHPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

P. Net position

In the Village-wide financial statements, there can be three classes of net position:

1. Net investment in capital assets: consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.
2. Restricted: consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
3. Unrestricted: is the amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund financial statements

In the fund financial statements, there can be five classifications of fund balance:

1. Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes prepaid expenses in the amount of \$206,371.
2. Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The Village has \$3,055,614 in restricted fund balances as of February 28, 2023.
3. Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, i.e. the Board. The Village Board of Trustees is the decision-making authority that can, by Board resolution, commit fund balance. The Village has no committed fund balances as of February 28, 2023.
4. Assigned - Includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed, except for tax stabilization agreements. The intent can be expressed by the Board or through the Board delegating this responsibility to the Village administration through the budgetary process. The classification also includes the remaining positive fund balances for all governmental funds except for the General Fund. The Village reported amounts appropriated for special purposes (including encumbrances of \$301,828) of \$2,170,112 for the year ended February 28, 2023 within assigned fund balance.

**INCORPORATED VILLAGE OF NORTHPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

5. Unassigned - Includes all other General Fund fund balance that does not meet the definition of the above four classifications and are deemed to be available for general use by the Village. The unassigned classification also includes negative residual balances of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

Fund balances for all governmental funds as of February 28, 2023 were distributed as follows:

	General	Sewer	Capital Projects	Total Governmental Funds
Nonspendable:				
Prepaid expenses	\$ 206,371	\$ -	\$ -	\$ 206,371
Restricted:				
Service awards program	3,012,626	-	-	3,012,626
Capital projects	-	-	42,988	42,988
Total restricted	3,012,626	-	42,988	3,055,614
Assigned:				
Designated for special purpose	1,119,380	48,904	-	1,168,284
Designated for subsequent year's expenditures	700,000	-	-	700,000
Encumbrances	270,568	31,260	-	301,828
Total assigned	2,089,948	80,164	-	2,170,112
Unassigned	3,960,605	-	-	3,960,605
	<u>\$ 9,269,550</u>	<u>\$ 80,164</u>	<u>\$ 42,988</u>	<u>\$ 9,392,702</u>

Net position and fund balance flow assumptions

Sometimes the Village will fund outlays for a particular purpose from both restricted (i.e. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the Village-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Sometimes the Village will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**INCORPORATED VILLAGE OF NORTHPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Q. Insurance

The Village assumes the liability for most risk including, but not limited to, property damage and personal injury liability. The Village maintains insurance policies in amounts and on terms generally standard for municipalities to insure against these liabilities. These insurance policies limit the overall exposure to Village assets by providing a third party insurer to assume the risk and liabilities relating to claims. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

R. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, potential contingent liabilities and useful lives of long-lived assets.

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND FINANCIAL STATEMENTS AND VILLAGE-WIDE FINANCIAL STATEMENTS

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

A. Total fund balances of governmental funds vs. net position of governmental activities

Total fund balances of the Village's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental funds Balance Sheet.

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

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of six broad categories. The categories are shown below:

1. Long-term revenue/expense differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

INCORPORATED VILLAGE OF NORTHPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Capital related differences

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

3. Right-of-use asset related differences

Right-of-use asset related differences include the difference between recording an expenditure for the purchase of right-of-use assets in the fund financial statements and amortization expense on those items as recorded in the Statement of Activities.

4. Long-term debt transaction differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund financial statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

5. Pension and LOSAP differences

Pension differences occur as a result of changes in the Village's proportion of the collective net pension asset/(liability) and differences between the Village's contributions and its proportionate share of the total contributions to the pension systems. Differences also occur as a result of changes in the LOSAP total pension liability and related deferred inflows and outflows of resources.

6. OPEB differences

OPEB differences occur as a result of changes in the Village's total OPEB liability and differences between the Village's contributions and OPEB expense.

3. CHANGE IN ACCOUNTING PRINCIPLE

Effective March 1, 2022, the Village implemented Governmental Accounting Standards Board ("GASB") Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the Village's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right-of-use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-of-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

**INCORPORATED VILLAGE OF NORTHPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary data

1. Budget policies

- a. No later than December 20th, the Village Treasurer submits a tentative budget to the Village Board of Trustees for the fiscal year commencing the following March 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- b. After public hearings are conducted to obtain taxpayer comments, no later than February 1, the Village Board of Trustees adopts the budget.
- c. All modifications of the budget must be approved by the Village Board of Trustees.

2. Budget basis of accounting

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriation, is employed in the governmental funds. Appropriations for all governmental funds lapse at year-end. However, encumbrances reserved against fund balances are re-appropriated in the ensuing year. Encumbrances are reported as assigned fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

5. CASH AND CASH EQUIVALENTS - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, AND INTEREST RATE RISKS

The Village's investment policies are governed by State statutes. In addition, the Village has its own written investment policy. Village monies must be deposited in Federal Deposit Insurance Corporation ("FDIC") insured commercial banks or trust companies located within the State. The Village Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit at 105 percent of all deposits not covered by Federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the Federal government. Underlying securities must have a market value of at least 105 percent of the cost of the repurchase agreement.

For purposes of reporting cash flow, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity.

**INCORPORATED VILLAGE OF NORTHPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Custodial credit risk - deposits/investments: Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Village does not participate in a multi-municipal cooperation investment pool.

GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either:

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

Deposits and investments at year-end were entirely covered by Federal depository insurance or by collateral held by the Village's custodial banks in the Village's name. The Village's deposits at year-end consisted of:

Fund	Bank Balance	Carrying Amount	
General Fund	\$ 6,133,528	\$ 5,755,689	Insured (FDIC)/Collateralized
Sewer Fund	39,508	17,362	Insured (FDIC)
Capital Projects Fund	871,642	871,642	Insured (FDIC)/Collateralized
	<u>\$ 7,044,678</u>	<u>\$ 6,644,693</u>	

Credit risk: State law limits investments to those authorized by State statutes. The Village has a written investment policy.

Interest-rate risk: Interest-rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. Accordingly, such investments would have to be held to maturity to avoid potential loss.

Concentration of credit risk: Credit risk can arise as a result of failure to adequately diversify investments. Concentration risk disclosure is required for positions of 5 percent or more in securities of a single issuer.

As of February 28, 2023, the Village did not have any investments subject to credit risk, interest-rate risk, or concentration of credit risk.

6. RECEIVABLES

Accounts and taxes receivable

As of February 28, 2023, there was \$795,181 and \$209,444 in general accounts receivable and taxes receivable outstanding, respectively. The majority of the balances outstanding pertain to taxes and sewer fees owed to the Village.

**INCORPORATED VILLAGE OF NORTHPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

7. INTERFUND BALANCES AND ACTIVITY

Interfund receivable and payable balances as of February 28, 2023 primarily represent monies reimbursed subsequent to year-end. Interfund revenues and expenditures primarily represent budgeted operating and capital expenditures, as well as for the debt service payments. Balances at year-end are stated as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 30,143	\$ 13,618	\$ -	\$ 1,478,386
Sewer Fund	13,618	-	559,250	-
Capital Projects Fund	-	30,143	919,136	-
Totals	\$ 43,761	\$ 43,761	\$ 1,478,386	\$ 1,478,386

8. CAPITAL ASSETS

Capital asset balances and activity for the year ended February 28, 2023 were as follows:

	Beginning Balance	Additions	Reductions/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 1,655,294	\$ -	\$ -	\$ 1,655,294
Construction-in-progress	3,710,685	120,299	-	3,830,984
Total non-depreciable assets	5,365,979	120,299	-	5,486,278
Capital assets that are depreciated:				
Land improvements	488,337	-	-	488,337
Buildings and building improvements	15,633,681	-	-	15,633,681
Machinery and equipment	4,063,206	409,359	-	4,472,565
Vehicles	8,426,389	631,232	-	9,057,621
Right-of-use leased assets	-	20,771	-	20,771
Infrastructure	13,800,681	399,898	-	14,200,579
Total depreciable assets	42,412,294	1,461,260	-	43,873,554
Less accumulated depreciation:				
Land improvements	458,510	8,582	-	467,092
Buildings and building improvements	5,606,235	333,753	-	5,939,988
Machinery and equipment	2,343,358	342,350	-	2,685,708
Vehicles	6,915,955	383,308	-	7,299,263
Right-of-use leased assets	-	9,219	-	9,219
Infrastructure	4,719,097	675,951	-	5,395,048
Total accumulated depreciation	20,043,155	1,753,163	-	21,796,318
Total capital assets, net	\$ 27,735,118	\$ (171,604)	\$ -	\$ 27,563,514

Depreciation expense was charged to governmental functions as follows:

General government	\$ 220,929
Public safety	1,110,478
Transportation	249,072
Culture and recreation	74,638
Home and community services	98,046
	\$ 1,753,163

**INCORPORATED VILLAGE OF NORTHPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

9. LONG-TERM DEBT

Long-term debt balances and activity for the year are summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds payable	\$ 695,000	\$ -	\$ 50,000	\$ 645,000	\$ 50,000
Environmental Facilities Corporation ("EFC") note payable	381,640	-	76,640	305,000	75,000
Leases payable	-	20,179	8,497	11,682	7,675
Compensated absences	2,568,117	-	80,229	2,487,888	497,578
Total long-term liabilities	<u>\$ 3,644,757</u>	<u>\$ 20,179</u>	<u>\$ 215,366</u>	<u>\$ 3,449,570</u>	<u>\$ 630,253</u>

General obligation bonds - the Village borrows money in order to acquire land or equipment or to construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government.

The following is a summary of bonds payable:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding at 2/28/2023
Sewer plant serial bonds	7/28/2005	10/1/2034	2.059 - 4.129%	<u>\$ 645,000</u>

The following table summarizes the Village's future bonded debt service requirements:

Year Ended February 28,	Principal	Interest	Total
2024	\$ 50,000	\$ 13,934	\$ 63,934
2025	50,000	12,914	62,914
2026	50,000	11,880	61,880
2027	50,000	10,830	60,830
2028	55,000	9,770	64,770
2029-2033	275,000	31,030	306,030
2034-2035	115,000	3,901	118,901
	<u>\$ 645,000</u>	<u>\$ 94,259</u>	<u>\$ 739,259</u>

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

Interest paid	\$ 15,636
Less interest accrued in the prior year	(6,452)
Plus interest accrued in the current year	<u>5,997</u>
Interest expense	<u>\$ 15,181</u>

**INCORPORATED VILLAGE OF NORTHPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

New York State Environmental Facilities Corporation (“EFC”) note payable - In 2018, the Village was approved for financing from EFC in the amount of \$6,228,300. During 2019, the Village made a \$5,000,000 principal payment on the outstanding balance. The financing matured on March 20, 2020, but during fiscal 2021 the Village converted the note to a five-year bond. As of February 28, 2023, the outstanding amount on this note was \$305,000.

Lease liabilities

The Village has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB Statement No. 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of March 31, 2022.

The first agreement was executed on July 7, 2019, to lease a copier machine and requires 63 monthly base payments of \$165, plus annual escalations of 4%. The lease liability is measured at a discount rate of 1.83%, which was the Village’s borrowing rate at the inception of the lease agreement. As a result of the lease, the Village has recorded a right-of-use asset with a net book value of \$3,845 at February 28, 2023.

The second agreement was executed on November 15, 2019, to lease a copier machine and requires 48 monthly payments of \$401. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 1.58%, which was the Village’s borrowing rate at the inception of the lease agreement. As a result of the lease, the Village has recorded a right-of-use asset with a net book value of \$3,168 at February 28, 2023.

The third agreement was executed on March 10, 2020, to lease a copier machine and requires 60 monthly payments of \$191. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 0.63%, which was the Village’s borrowing rate at the inception of the lease agreement. As a result of the lease, the Village has recorded a right-of-use asset with a net book value of \$4,539 at February 28, 2023.

<u>Year Ended February 28,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 7,675	\$ 95	\$ 7,770
2025	4,007	21	4,028
	<u>\$ 11,682</u>	<u>\$ 116</u>	<u>\$ 11,798</u>

Other long-term debt - in addition to the above long-term debt, the Village had the following non-current liabilities:

Compensated absences - represents the value of earned and unused portion of the liability for compensated absences.

The liabilities for due to employees’ retirement system and compensated absences are liquidated through the General Fund.

**INCORPORATED VILLAGE OF NORTHPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

10. PENSION PLANS

Plan description

The Incorporated Village of Northport participates in the New York State and Local Employees' Retirement System ("NYSERS") and the New York State and Local Police and Fire Retirement System ("NYSPFRS") which are collectively referred to as New York State and Local Retirement System (the "System"). These are cost-sharing multiple-employer defined benefit retirement systems. The net position of the System is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York (the "Comptroller") serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law ("RSSL"). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Village also participates in the Public Employees' Group Life Insurance Plan ("GLIP"), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Benefits provided

The System provides retirement benefits as well as death and disability benefits.

Tiers 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

**INCORPORATED VILLAGE OF NORTHPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Tiers 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a 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 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. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

Special Plans

The 25-Year Plans allow a retirement after 25 years of service with a benefit of one-half of final average salary, and the 20-Year Plans allow a retirement after 20 years of service with a benefit of one-half of final average salary. These plans are available to certain PFRS members, sheriffs, and correction officers.

Ordinary Disability Benefits

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

**INCORPORATED VILLAGE OF NORTHPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Accidental Disability Benefits

For all eligible Tier 1 and Tier 2 ERS and PFRS members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any Workers' Compensation benefits received. The benefit for eligible Tier 3, 4, 5 and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for ten years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) NYSERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) 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 exceed 3 percent.

Contributions

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 ("NYSERS") or January 9, 2010 ("NYSPFRS") who generally contribute 3 percent of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the RSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

<u>Year</u>	<u>NYSERS</u>	<u>NYSPFRS</u>
2023	\$ 416,555	\$ 822,728
2022	588,717	831,995
2021	491,154	819,532

**INCORPORATED VILLAGE OF NORTHPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Pension assets/(liabilities), pension expense, deferred outflows of resources and deferred inflows of resources related to pensions

At February 28, 2023, the Village reported an asset of \$843,506 for its proportionate share of the net pension asset relating to NYSERS, and a liability of \$438,752 for its proportionate share of the net pension liability relating to NYSPFRS. The net pension asset/(liability) was measured as of March 31, 2022, and the total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation as of April 1, 2021. Update procedures were used to roll forward the pension liability to March 31, 2022. The Village's proportion of the net pension asset/(liability) was based on a projection of the Village's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At February 28, 2023, the Village reported the following liabilities for its proportionate shares of the net pension asset/(liability) for the System:

	NYSERS	NYSPFRS
Actuarial valuation date	April 1, 2021	April 1, 2021
Net pension asset/(liability)	\$ 843,506	\$ (438,752)
Village's portion of the Plans' total net position asset/(liability)	0.01032%	0.07724%

For the year ended February 28, 2023, the Village recognized pension expense of \$659,654. At February 28, 2023, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources - NYSERS	Deferred Outflows of Resources - NYSPFRS	Deferred Inflows of Resources - NYSERS	Deferred Inflows of Resources - NYSPFRS
Differences between expected experience and actual experience	\$ 63,880	\$ 236,534	\$ 82,856	\$ -
Changes of assumptions	1,407,718	2,626,026	23,754	-
Net difference between projected and actual earnings on pension plan investments	-	-	2,762,130	3,686,663
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	291,576	256,588	44,122	109,250
Employer contributions made subsequent to the measurement date	416,555	822,728	-	-
Total	\$ 2,179,729	\$ 3,941,876	\$ 2,912,862	\$ 3,795,913

Deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/(liability) in the year ended February 28, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**INCORPORATED VILLAGE OF NORTHPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

	NYSERS	NYSPFRS
<u>For the year ended:</u>		
2024	\$ (133,640)	\$ (89,253)
2025	(241,560)	(231,960)
2026	(667,688)	(839,642)
2027	(106,800)	480,738
2028	-	3,352

Actuarial assumptions

The total pension asset/(liability) 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/(liability) to March 31, 2022. The actuarial valuation used the following actuarial assumptions:

	NYSERS	NYSPFRS
Measurement date	March 31, 2022	March 31, 2022
Actuarial valuation date	April 1, 2021	April 1, 2021
Interest rate	5.90%	5.90%
Salary scale	4.40%	6.20%
Decrement tables	April 1, 2015 - March 31, 2020 System's Experience	April 1, 2015 - March 31, 2020 System's Experience
Inflation rate	2.70%	2.70%

Annuitant mortality rates are based on April 1, 2015 - March 31, 2020 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020.

The actuarial assumptions used in the April 1, 2021 valuation are based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2020.

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns of net 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 each target asset allocation percentage and by adding expected inflation.

**INCORPORATED VILLAGE OF NORTHPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2022 are summarized below:

Asset Type	NYSERS and NYSPFRS	
	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	(1.00%)
Credit	4.00%	3.78%
Domestic equity	32.00%	3.30%
Fixed Income	23.00%	0.00%
International equity	15.00%	5.85%
Opportunistic portfolio/absolute return strategy	3.00%	4.10%
Private equity	10.00%	6.50%
Real assets	3.00%	5.80%
Real estate	9.00%	5.00%
	100.00%	

Discount rate

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

Sensitivity of the proportionate share of the net pension asset/(liability) to the discount rate assumption

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

NYSERS	1% Decrease (4.90%)	Current assumption (5.90%)	1% Increase (6.90%)
Employer's proportionate share of the net pension asset/(liability)	\$ (2,171,176)	\$ 843,506	\$ 3,365,143

NYSPFRS	1% Decrease (4.90%)	Current assumption (5.90%)	1% Increase (6.90%)
Employer's proportionate share of the net pension asset/(liability)	\$ (4,880,439)	\$ (438,752)	\$ 3,237,786

**INCORPORATED VILLAGE OF NORTHPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Pension plan fiduciary net position

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

	(Dollars in Thousands)		
	NYSERS	NYSPFRS	Total
Employers' total pension asset/(liability)	\$ (223,874,888)	\$ (42,237,292)	\$ (266,112,180)
Plan net position	232,049,473	41,669,250	273,718,723
Employers' net pension asset/(liability)	\$ 8,174,585	\$ (568,042)	\$ 7,606,543
Ratio of plan net position to the Employers' total pension asset/(liability)	103.65%	98.66%	102.86%

11. POST-EMPLOYMENT BENEFITS

A. General information about the OPEB plan

Plan description

The Village's defined benefit OPEB plan, provides OPEB for all permanent full-time employees of the Village. The plan is a single employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the Village Board of Trustees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits provided

The Village provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent of which contract each employee falls under. The specifics of each contract are on file at the Village offices and are available upon request.

Employees covered by benefit terms

As of March 1, 2022, the date of the most recent actuarial valuation, the following employees were covered by the benefit terms:

Inactive participants currently receiving benefit payments	20
Active participants	46
Total	66

B. Total OPEB liability

The Village's total OPEB liability of \$14,425,522 was measured as of February 28, 2023, and determined by an actuarial valuation as of February 28, 2022.

**INCORPORATED VILLAGE OF NORTHPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Actuarial assumptions and other inputs

The total OPEB liability in the March 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, with update procedures used to roll forward the total OPEB liability to the measurement date, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	Based on assumptions used in NYSERS April 1, 2015 actuarial valuation
Discount rate	4.37%
Healthcare cost trend rates	7.0% for 2023, decreasing 0.5% per year to an ultimate rate of 4.5% in 2029
Retirees' share of benefit-related costs	Rates increase in accordance with health care trend rates

The discount rate was based on the February 28, 2023 S&P Municipal Bond 20-Year High Grade Rate Index.

Mortality rates were based on the Pub-2010 Mortality tables and the most recent generational projection scale MP-2021.

C. Changes in the total OPEB liability

Balance as of February 28, 2022	\$ 16,601,809
Service cost	974,226
Interest	491,829
Changes of assumptions or other inputs	(3,596,394)
Differences between expected and actual experience	350,648
Benefit payments	<u>(396,596)</u>
Balance as of February 28, 2023	<u>\$ 14,425,522</u>

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the Village, as well as what the Village's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.37%) or one percentage point higher (5.37%) than the current discount rate:

	<u>1% decrease (3.37%)</u>	<u>Current discount rate (4.37%)</u>	<u>1% increase (5.37%)</u>
Total OPEB liability	\$ 16,624,546	\$ 14,425,522	\$ 12,632,005

Sensitivity of the total OPEB liability to changes in healthcare cost trend rates

The following presents the total OPEB liability of the Village, as well as what the Village's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current discount rate:

**INCORPORATED VILLAGE OF NORTHPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

	1% Decrease (6.00% decreasing to 3.50%)	Current assumption (7.00% decreasing to 4.50%)	1% Increase (8.00% decreasing to 5.50%)
Total OPEB liability	\$ 12,287,839	\$ 14,425,522	\$ 17,135,048

D. OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended February 28, 2023, the Village recognized OPEB expense of \$1,466,055.

As of February 28, 2023, the Village did not report any deferred outflows of resources or deferred inflows of resources related to the total OPEB liability.

12. DEFERRED COMPENSATION PLAN

Employees of the Village may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with respect to service for State and Local Governments). The Village does not contribute to the plan and maintains no assets or incurs any liabilities in connection to the plan. The plan, available to all employees, permits them to defer a portion of their salary until future years, usually after retirement. The amount of deferred compensation payments contributed by Village employees for the year ended February 28, 2023 was \$530,093.

13. LENGTH OF SERVICE AWARD PROGRAM (“LOSAP” OR “PROGRAM”)

Program description

The Village sponsors a defined benefit LOSAP effective January 1, 1992 for active volunteer firefighter members of the Village. The Program provides municipally-funded deferred compensation to volunteer firefighters to facilitate the recruitment and retention of active volunteer firefighters. The Village is one of ten municipalities who is a co-sponsor of this plan.

Funding policy

The Program was established pursuant to Article 11-A of the New York State General Municipal Law. The Program is non-contributory. The Village is required to contribute the total amount sufficient to cover the normal cost of the plan.

Participation, vesting and service credit

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

**INCORPORATED VILLAGE OF NORTHPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Participants acquire a non-forfeitable right to be paid a Service Award after earning credit for five years of service or upon attaining the Program's Entitlement Age while an active volunteer. The Program's Entitlement Age is 62. An active volunteer firefighter earns a year of Service Award Program Service Credit for each calendar year after the establishment of the Program in which they accumulate fifty (50) points. Points are granted for the performance of certain firefighter's activities in point values. A participant may also receive Service Award Program Service Credit for five (5) years of active volunteer firefighting service rendered prior to the establishment of the Program as an active volunteer firefighter member.

Benefits

A Participant's Service Award benefit is paid as a ten-year certain and continuous monthly payment life annuity. Currently, there are no other forms of payment of a volunteer's earned service award under the Program. The amount payable each month equals \$20 multiplied by the total number of years of Service Award Program Service Credit earned by the Participant under the point system. The maximum number of years of service credit a Participant may earn is 40 years. Except in the case of Pre-Entitlement Age death or total and permanent disablement, a Participant's Service Award will not be paid until he or she attains 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 Pre-Entitlement Age death and disability benefit is equal to the actuarial value of the Participant's earned service award at the time of death or disablement (if the participant was an active volunteer firefighter member at death, the minimum death benefit payable is the present value of the accrued benefits). The Program does not provide extra line-of-duty death or disability benefits.

Participants covered by the benefit terms

At the December 31, 2022 measurement date, the following participants were covered by the benefit terms:

Inactive participants currently receiving benefit payments	67
Inactive participants entitled to but not yet receiving benefit payments	22
Active participants	<u>66</u>
Total	<u><u>155</u></u>

Contributions

New York State General Municipal Law §219(d) requires the Village to contribute an actuarially determined contribution on an annual basis. The actuarially determined contribution shall be appropriated annually by the Village.

Trust assets

Although assets have been accumulated in an irrevocable trust such that the assets are dedicated to providing pensions to plan members in accordance with benefit terms, the trust assets are not legally protected from creditors of the Village. As such, the trust assets do not meet the criteria in paragraph 4 of GASB Statement 73.

**INCORPORATED VILLAGE OF NORTHPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Measurement of Total Pension Liability

The total pension liability at the December 31, 2022 measurement date was determined using an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Salary Scale:	N/A

Mortality rates were based on the RP-2014 Mortality Table without projection for mortality improvement.

Discount rate

The discount rate used to measure the total pension liability was 4.31%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2022. In describing this index, S&P Dow Jones Indices notes that the index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years and with a rating of at least Aa2 by Moody's Investors Service's, AA by Fitch, or AA by Standard & Poor's Rating Services.

Changes in the Total Pension Discount Rate

The discount rate used to measure the total pension liability was based on the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index and was 2.24% for the December 31, 2021 measurement date, and 4.31% for the December 31, 2022 measurement date.

Changes in the Total Pension Liability

Balance as of December 31, 2021 measurement date	\$ 7,240,572
Service cost	165,655
Interest	163,096
Changes of assumptions or other inputs	(1,715,583)
Differences between expected and actual experience	173,716
Benefit payments	<u>(250,280)</u>
Balance as of December 31, 2022 measurement date	<u>\$ 5,777,176</u>

Sensitivity of the total LOSAP pension liability to changes in the discount rate

The following presents the total LOSAP pension liability of the Village as of the December 31, 2022 measurement date, calculated using the discount rate of 4.31 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 (3.31 percent) or 1-percentage point higher (5.31 percent) than the current rate:

INCORPORATED VILLAGE OF NORTHPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

	1% decrease (3.31%)	Current discount rate (4.31%)	1% increase (5.31%)
Total LOSAP pension liability	\$ 6,522,972	\$ 5,777,176	\$ 5,154,554

Pension expense and deferred outflows of resources and deferred inflows of resources related to LOSAP pensions

For the year ended February 28, 2023, the Village recognized pension expense of \$351,695. At February 28, 2023, the Village reported deferred outflows of resources and deferred inflows of resources related to LOSAP pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 436,916	\$ -
Changes of assumptions or other inputs	1,063,777	1,924,525
Benefit payments and administrative expenses subsequent to the measurement date	41,027	-
Totals	\$ 1,541,720	\$ 1,924,525

Deferred outflows of resources related to pensions resulting from Village transactions subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ended February 28, 2024.

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

<u>Year ended February 28:</u>	
2024	\$ 19,593
2025	19,593
2026	15,013
2027	(26,209)
2028	(34,667)
Thereafter	(417,155)

**INCORPORATED VILLAGE OF NORTHPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

14. COMMITMENTS AND CONTINGENCIES

A. Risk management and litigation

In common with other municipalities, the Village receives numerous notices of claims. Although the eventual outcome of the claims cannot presently be determined, it is the opinion of the Village and Village Attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the Village has not asserted a substantial and adequate defense, nor which, if determined against the Village, would have a material adverse effect on the financial condition of the Village, in view of the Village's ability to fund the same through use of appropriate funding mechanisms provided by the Local Finance Law. The Village is insured for workers' compensation insurance and disability insurance.

B. Government grants

The Village receives grants which are subject to audit by agencies of New York State and local governments. Such audits may result in disallowances and a request for a return of funds. Based on past experience, the Village Administration believes disallowances, if any, would be immaterial.

C. Property tax cap

In June 2011, the New York State Legislature enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions. For fiscal years through June 15, 2020, the growth factor in the property tax levy (the total amount to be raised through property taxes charged on a municipality's taxable assessed value of property) will be capped at 2% or the rate of inflation factor (but never less than a 1% factor), whichever is less, with some exceptions. Local governments can exceed the tax levy limit by a 60% vote of the governing body, or by local law.

15. FUTURE ACCOUNTING STANDARDS

The Village will evaluate the impact each of these upcoming pronouncements may have on its financial statements and will implement them as applicable and when material. The following is a list of GASB pronouncements issued but not yet effective:

<u>GASB Statement No.</u>	<u>GASB Accounting Standard</u>	<u>Effective Fiscal Year</u>
Statement No. 94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	February 28, 2024
Statement No. 96	Subscription-Based Information Technology Agreements	February 28, 2024
Statement No. 97	Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32	February 28, 2024

**INCORPORATED VILLAGE OF NORTHPORT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

16. SUBSEQUENT EVENTS

The Village has evaluated subsequent events occurring after the Statement of Net Position through the date of October 17, 2023, which is the date the financial statements were available to be issued, noting no matters requiring further consideration.

**INCORPORATED VILLAGE OF NORTHPORT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 28, 2023**

	<u>Adopted Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Year-End Encumbrances</u>	<u>Variance</u>
REVENUES					
Real property taxes	\$ 13,250,068	\$ 13,250,068	\$ 13,250,068		\$ -
Other tax items	40,000	40,000	41,035		1,035
Non-property tax items	1,035,362	1,235,362	1,299,529		64,167
Departmental income	289,700	289,700	382,430		92,730
Intergovernmental revenue	1,742,621	1,742,621	1,743,447		826
Fines and forfeitures	175,000	175,000	172,991		(2,009)
Use of money and property	75,000	75,000	118,977		43,977
Licenses and permits	10,500	110,500	149,315		38,815
State and local aid	624,650	661,616	738,601		76,985
Federal aid	-	-	280,506		280,506
Sale of property and compensation for loss	17,000	52,000	200,813		148,813
Miscellaneous	10,000	10,000	13,783		3,783
Total revenues	<u>17,269,901</u>	<u>17,641,867</u>	<u>18,391,495</u>		<u>749,628</u>
EXPENDITURES					
Current -					
General government	2,319,904	2,129,252	2,059,931	\$ 10,521	58,800
Public safety	6,575,374	8,202,391	6,724,540	234,047	1,243,804
Health	2,000	2,000	1,140	-	860
Transportation	1,855,651	2,027,183	1,921,830	26,000	79,353
Economic opportunity and assistance	2,000	11,673	11,408	-	265
Culture and recreation	465,885	561,402	526,916	-	34,486
Home and community services	1,024,428	1,037,193	963,562	-	73,631
Employee benefits	4,455,409	4,371,567	4,375,078	-	(3,511)
Debt service -					
Principal	-	-	8,497	-	(8,497)
Interest	-	-	197	-	(197)
Total expenditures	<u>16,700,651</u>	<u>18,342,661</u>	<u>16,593,099</u>	<u>\$ 270,568</u>	<u>1,478,994</u>
Excess (deficiency) of revenues over (under) expenditures	<u>569,250</u>	<u>(700,794)</u>	<u>1,798,396</u>		<u>2,228,622</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of leases	-	-	20,179		20,179
Transfers out	(794,250)	(1,215,601)	(1,478,386)		(262,785)
Total other financing uses	<u>(794,250)</u>	<u>(1,215,601)</u>	<u>(1,458,207)</u>		<u>(242,606)</u>
Change in fund balance	<u>\$ (225,000)</u>	<u>\$ (1,916,395)</u>	340,189		<u>\$ 1,986,016</u>
Fund balance, beginning of year			<u>8,929,361</u>		
Fund balance, end of year			<u>\$ 9,269,550</u>		

Note to Required Supplementary Information

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

**INCORPORATED VILLAGE OF NORTHPORT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SEWER FUND
FOR THE YEAR ENDED FEBRUARY 28, 2023**

	<u>Adopted Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Year-End Encumbrances</u>	<u>Variance</u>
REVENUES					
Departmental income	\$ 468,000	\$ 468,000	\$ 458,171		\$ (9,829)
Use of money and property	-	-	5		5
State and local aid	126,851	126,851	126,851		-
Total revenues	<u>594,851</u>	<u>594,851</u>	<u>585,027</u>		<u>(9,824)</u>
EXPENDITURES					
Current -					
General government	72,600	91,410	90,169	\$ -	1,241
Home and community services	911,253	925,507	889,034	31,260	5,213
Employee benefits	28,644	28,644	28,250	-	394
Debt service -					
Principal	125,209	125,209	126,640	-	(1,431)
Interest	16,345	16,345	15,439	-	906
Total expenditures	<u>1,154,051</u>	<u>1,187,115</u>	<u>1,149,532</u>	<u>\$ 31,260</u>	<u>6,323</u>
Deficiency of revenues under expenditures	<u>(559,200)</u>	<u>(592,264)</u>	<u>(564,505)</u>		<u>(3,501)</u>
OTHER FINANCING SOURCES					
Transfers in	559,200	559,200	559,250		50
Total other financing sources	<u>559,200</u>	<u>559,200</u>	<u>559,250</u>		<u>50</u>
Change in fund balance	<u>\$ -</u>	<u>\$ (33,064)</u>	(5,255)		<u>\$ (3,451)</u>
Fund balance, beginning of year			<u>85,419</u>		
Fund balance, end of year			<u>\$ 80,164</u>		

Note to Required Supplementary Information

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

**INCORPORATED VILLAGE OF NORTHPORT
SCHEDULE OF CHANGES IN THE VILLAGE'S TOTAL PENSION LIABILITY AND RELATED RATIOS
SERVICE AWARD PROGRAM
LAST SIX FISCAL YEARS***

Measurement date as of:	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Total pension liability:						
Service cost	\$ 165,655	\$ 186,065	\$ 120,293	\$ 128,694	\$ 148,335	\$ 133,401
Interest	163,096	142,910	191,605	194,178	174,114	182,711
Changes of assumptions or other inputs	(1,715,583)	(315,990)	1,212,736	287,575	(348,341)	389,315
Differences between expected and actual experience	173,716	119,192	148,728	131,913	39,878	18,324
Benefit payments	<u>(250,280)</u>	<u>(220,425)</u>	<u>(202,818)</u>	<u>(179,911)</u>	<u>(159,527)</u>	<u>(147,638)</u>
Net change in total pension liability	(1,463,396)	(88,248)	1,470,544	562,449	(145,541)	576,113
Total pension liability, beginning of year	<u>7,240,572</u>	<u>7,328,820</u>	<u>5,858,276</u>	<u>5,295,827</u>	<u>5,441,368</u>	<u>4,865,255</u>
Total pension liability, end of year	<u>\$ 5,777,176</u>	<u>\$ 7,240,572</u>	<u>\$ 7,328,820</u>	<u>\$ 5,858,276</u>	<u>\$ 5,295,827</u>	<u>\$ 5,441,368</u>
Covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A

Note to Required Supplementary Information

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

December 31, 2022:	4.31%
December 31, 2021:	2.24%
December 31, 2020:	1.93%
December 31, 2019:	3.26%
December 31, 2018:	3.64%
December 31, 2017:	3.16%

Trust assets: There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 73 to pay related benefits. The trust assets are not legally protected from creditors of the Village.

* Ten years of historical information is not available upon implementation of GASB Statement No. 73. An additional year of historical information will be added each year subsequent to the year of implementation until ten years of historical data is available.

**INCORPORATED VILLAGE OF NORTHPORT
SCHEDULE OF CHANGES IN THE VILLAGE'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST FIVE FISCAL YEARS***

Measurement date	February 28, 2023	February 28, 2022	February 28, 2021	February 29, 2020	February 28, 2019
Total OPEB liability:					
Service cost	\$ 974,226	\$ 877,308	\$ 862,004	\$ 633,303	\$ 735,765
Interest	491,829	449,505	426,147	667,827	672,642
Changes of assumptions or other inputs	(3,596,394)	(295,411)	-	3,229,853	(849,709)
Differences between expected and actual experience	350,648	(1,361,059)	(25,730)	(3,174,393)	(1,780,887)
Benefit payments	<u>(396,596)</u>	<u>(340,742)</u>	<u>(346,074)</u>	<u>(307,410)</u>	<u>(319,609)</u>
Net change in total OPEB liability	(2,176,287)	(670,399)	916,347	1,049,180	(1,541,798)
Total OPEB liability, beginning of year	<u>16,601,809</u>	<u>17,272,208</u>	<u>16,355,861</u>	<u>15,306,681</u>	<u>16,848,479</u>
Total OPEB liability, end of year	<u>\$ 14,425,522</u>	<u>\$ 16,601,809</u>	<u>\$ 17,272,208</u>	<u>\$ 16,355,861</u>	<u>\$ 15,306,681</u>
Covered employee payroll	\$ 5,253,330	\$ 4,202,327	\$ 3,895,899	\$ 3,782,426	\$ 4,062,858
Total OPEB liability as a percentage of covered-employee payroll	274.60%	395.06%	443.34%	432.42%	376.75%

Note to Required Supplementary Information

Trust assets: The Village has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay OPEB benefits, as New York State currently does not allow villages to establish this type of trust. The Village contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The trust assets are not legally protected from creditors of the Village.

* Ten years of historical information is not available upon implementation of GASB Statement No. 75. An additional year of historical information will be added each year subsequent to the year of implementation until ten years of historical data is available.

INCORPORATED VILLAGE OF NORTHPORT
SCHEDULE OF VILLAGE'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/(LIABILITY) - NYSERS & NYSPFRS
LAST NINE FISCAL YEARS*
(Dollar amounts in thousands)

NYSERS									
	2023	(A) 2022	(B) 2021	2020	2019	2018	(C) 2017	2016	2015
Village's proportionate share of the net pension asset/(liability)	0.01032%	0.00931%	0.00993%	0.00973%	0.00997%	0.00995%	0.00974%	0.00942%	0.00942%
Village's proportionate share of the net pension asset/(liability)	\$ 844	\$ (9)	\$ (2,629)	\$ (689)	\$ (322)	\$ (935)	\$ (1,563)	\$ (318)	\$ (425)
Village's covered payroll	\$ 3,743	\$ 3,698	\$ 3,424	\$ 3,239	\$ 3,209	\$ 2,294	\$ 2,207	\$ 2,114	\$ 2,098
Village's proportionate share of the net pension asset/(liability) as a percentage of covered payroll	22.53%	0.25%	76.78%	21.28%	10.03%	40.75%	70.82%	15.04%	20.26%
Plan fiduciary net position as a percentage of the total pension asset/(liability)	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%	97.15%
NYSPFRS									
	2023	(A) 2022	(B) 2021	2020	2019	2018	(C) 2017	2016	2015
Village's proportionate share of the net pension asset/(liability)	0.07724%	0.07884%	0.08360%	0.07876%	0.07575%	0.06934%	0.06790%	0.06263%	0.06263%
Village's proportionate share of the net pension asset/(liability)	\$ (439)	\$ (1,369)	\$ (4,468)	\$ (1,321)	\$ (766)	\$ (1,437)	\$ (2,010)	\$ (172)	\$ (261)
Village's covered payroll	\$ 3,072	\$ 2,979	\$ 3,371	\$ 3,740	\$ 3,714	\$ 4,525	\$ 4,052	\$ 3,822	\$ 3,702
Village's proportionate share of the net pension asset/(liability) as a percentage of covered payroll	14.28%	45.94%	132.56%	35.32%	20.61%	31.76%	49.61%	4.50%	7.05%
Plan fiduciary net position as a percentage of the total pension asset/(liability)	98.66%	95.79%	84.86%	95.09%	96.93%	93.46%	90.24%	99.03%	98.48%

* The amounts presented for each fiscal year were determined (bi-annually) as of March 31st.

(A) The discount rate used to calculate the total pension liability was decreased from 6.8% to 5.9% effective with the March 31, 2021 measurement date.

(B) The discount rate used to calculate the total pension liability was decreased from 7.0% to 6.8% effective with the March 31, 2020 measurement date.

(C) The discount rate used to calculate the total pension liability was decreased from 7.5% to 7.0% effective with the March 31, 2016 measurement date.

***Note to Required Supplementary Information**

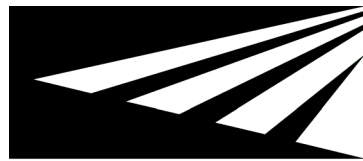
This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

INCORPORATED VILLAGE OF NORTHPORT
SCHEDULE OF VILLAGE PENSION CONTRIBUTIONS - NYSERS & NYSPFRS
LAST NINE FISCAL YEARS*
(Dollar amounts in thousands)

NYSERS									
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 416,555	\$ 588,717	\$ 491,154	\$ 470,593	\$ 441,206	\$ 451,739	\$ 409,197	\$ 428,870	\$ 479,451
Contributions in relation to the contractually required contribution	416,555	588,717	491,154	470,593	441,206	451,739	409,197	428,870	479,451
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered-employee payroll	\$ 3,899,080	\$ 3,773,352	\$ 3,627,910	\$ 3,582,513	\$ 2,375,955	\$ 2,294,081	\$ 2,206,794	\$ 2,114,464	\$ 2,098,415
Contributions as a percentage of covered-employee payroll	10.68%	15.60%	13.54%	13.14%	18.57%	19.69%	18.54%	20.28%	22.85%
NYSPFRS									
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 822,728	\$ 831,995	\$ 819,532	\$ 884,642	\$ 896,869	\$ 763,745	\$ 697,483	\$ 677,950	\$ 690,401
Contributions in relation to the contractually required contribution	822,728	831,995	819,532	884,642	896,869	763,745	697,483	677,950	690,401
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered-employee payroll	\$ 3,266,322	\$ 3,096,389	\$ 3,009,890	\$ 3,927,642	\$ 4,921,741	\$ 4,524,711	\$ 4,051,623	\$ 3,821,600	\$ 3,701,814
Contributions as a percentage of covered-employee payroll	25.19%	26.87%	27.23%	22.52%	18.22%	16.88%	17.21%	17.74%	18.65%

***Note to Required Supplementary Information**

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.



NawrockiSmith

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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

To the Board of Trustees of the
Incorporated Village of Northport:

We have audited, in accordance with the 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 governmental activities and each major fund of the Incorporated Village of Northport (the "Village"), as of and for the year ended February 28, 2023, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated October 17, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village'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 a 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 or significant deficiencies may exist that were not identified.

NawrockiSmith

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village'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.

Hauppauge, New York
October 17, 2023